

October 2011

Making policy in an age of austerity

A PMPA report, in collaboration with the Joint University Council's Public Administration Committee

Editor: Faith Boardman, PMPA

Faith Boardman
Paul Joyce
Adam Sharples
Irene Lucas CBE
Phillip Copestake
Sue Richards
David Kennedy

Making policy in an age of austerity

Edited by Faith Boardman

Contents

Foreword	1
Introduction: Making policy in an age of austerity <i>Faith Boardman</i>	3
Effective policy-making and public sector management in difficult times <i>Paul Joyce</i>	15
Developing effective policy in an age of austerity <i>Adam Sharples</i>	25
The overthrow of technocracy in an age of austerity <i>Irene Lucas CBE</i>	33
New public servants needed <i>Phillip Copestake</i>	43
Paradigm change or business as usual? The need for a strategy <i>Sue Richards</i>	53
Why UK local government will beat austerity <i>David Kennedy</i>	63

October 2011

ISBN 0 978-1-84508-272-7

PMPA board

The PMPA board provides leadership for the PMPA, including directing its strategy and development and guiding its staff team. In addition, the board provides one of the ways for members to influence the direction of the organization, alongside other opportunities such as member surveys and occasional meetings. Membership of the board reflects, as far as possible, the make-up of the PMPA membership in terms of sectors represented and category of member. Members are:

Chair: Michael Clarke (University of Birmingham)
Vice chair: Joan Jones (Consultant: local government)
Faith Boardman (Consultant: central and local government)
Jane Broadbent (*Public Money & Management*)
Ian Carruthers (CIPFA)
Jeremy Cowper (DEFRA)
Cliff Dalton (CIPFA Business)
Erica De'Ath (Cranfield Trust)
Steve Freer (CIPFA)
Andrew Gray (Astarte)
Paul Joyce (Liverpool Business School)
Daniel Ratchford (London Borough of Sutton)
Margaret Saner (National School of Government)
Sir Hugh Taylor (Guy's and St Thomas' NHS Foundation Trust)
Claire Tyler (Relate)
Christine Whatford (Consultant: education)
Andrew Wyatt (Oxford Policy Management)

PMPA staff contacts

PMPA development director: Faith Boardman
(faith.boardman@cipfa.org.uk; tel.: 020 7543 5683)

PMPA event manager: Deirdre Noonan
(deirdre.noonan@cipfa.org.uk; tel.: 020 7543 5679)

Foreword

Faith Boardman

Editor

The Public Management and Policy Association (PMPA) supports excellent public services by enabling learning to take place across the traditional ‘boundaries’ between different sectors and disciplines.

Excellent services require excellent policy-making skills that reflect and respect the realities experienced by those with excellent practical management and delivery skills. And all these skills have to change and evolve as government agendas—and the practical economic and social realities—change.

So the PMPA is pleased to partner with the academic JUC Public Administration Committee in drawing together this report (which reflects the outcomes of a series of PMPA discussion groups and seminars).

The report focuses on identifying the new skills that policy-making will require across all public services in an age of austerity under a new coalition government whose agenda requires a paradigm shift in the roles and relationships of central and local government, communities and citizens.

An age of austerity poses huge challenges, but—as David Kennedy states on p. 69 of this report—‘challenge liberates innovation’. Rarely has the need for both policy-makers and operational managers to look outside their silo-boxes and learn new skills from other sectors been greater or more urgent. PMPA is grateful to all the contributors to this report for assisting that process.

Introduction: Making policy in an age of austerity*

Faith Boardman

Public Management and Policy Association (PMPA), London

A defining 'watershed' or just (another) recession?

Most of us can name at least some of the watersheds that have defined European and world history. As the following examples show, almost all these have been linked to significant economic and trade crises that have led to lasting social change:

- The fall of the Roman Empire is now thought to have been caused as much by shifting climate patterns and the resulting economic/agrarian/migration crises as by the internal civil wars between political factions that the generals recorded in their memoirs.
- The black death was carried by trade to Europe in 1348–50 and is estimated to have killed 30%–60% of Europe's population, resulting in religious, social and economic upheavals, that had profound effects on the course of European history.
- The Thirty Years War (1618–48) reduced the overall population of the German and Czech states by 15–30% (and the male population of some areas by over a half), and bankrupted most of the combatant powers and economies with economic effects that lasted for several generations.
- The great depression (1929–35) had profound economic effects that are thought to have contributed significantly to the political and

*The articles in this report are personal views and do not necessarily reflect the PMPA's position.

‘nationalist’ trends that resulted in the Second World War. And within Britain, its differential regional effects did much to shape the north–south divide and the post-war welfare state that have characterized Britain’s political and economic landscape for over two lifetimes.

So, are some commentators right to regard the ‘great recession’, which began in 2007, as an historic watershed? And are the current government’s plans to reshape the landscape of public services and the contract between individuals and the state an inevitable (and lasting) consequence of this latest economic and trade crisis? Or, as Mark Twain once said (after hearing that his obituary had appeared in the *New York Journal*) is it the case that: ‘The reports of my death are greatly exaggerated’? And what changes will these plans require to the ‘traditional’ roles, skills and approaches of the public servants and politicians who design public policy and services, and of the individuals and communities who receive them?

The Cameron government’s agenda—is it economically or socially driven?

My answer would be a (convenient) mixture of both. On the face of it, the economic impact of the great recession had certainly not reached anything like the levels of the great depression by November 2009 when David Cameron set out his stall in his Hugo Young lecture on 10 November 2009. Table 1 and figure 1 illustrate the depth of the great depression compared with the 2007–09 position.

Table 1. Change in economic indicators 1929–32.

	<i>USA</i>	<i>Britain</i>	<i>France</i>	<i>Germany</i>
Industrial production	-46%	-23	-24	-41
Wholesale prices	-32%	-33	-34	-29
Foreign trade	-70%	-60	-54	-61
Unemployment	+607%	+129	+214	+232

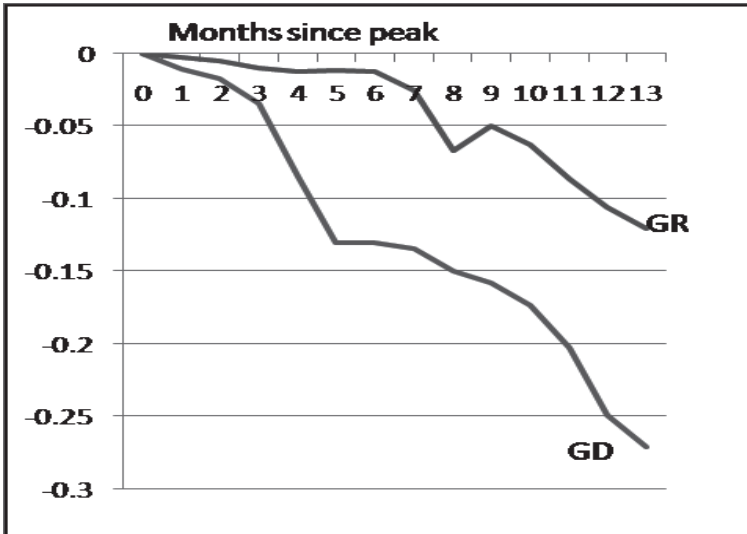
Source: Jerome Blum *et al.* (1970), *The European World: A History* (2nd edn), p. 885.

And, certainly, David Cameron appeared much more concerned with the state of society than the state of the economy when he gave his 2009 lecture. In that, he focused on the impact of the welfare/benefits state on the incentives for instilling a ‘work ethic’, and for individuals taking responsibility for parenting, communities and neighbours. He argued that using ‘big government’ to try to tackle inequalities and divisions within society, has led to fundamentally contradictory outcomes:

The paradox at the heart of big government is that by taking power and responsibility away from the individual, it has only served to individuate them. What is seen in principle as an act of social solidarity has in practice led to the greatest atomisation of our society. The once natural bonds that existed between people—of duty and responsibility—have been replaced with the synthetic bonds of the state—regulation and bureaucracy.

He proposed decentralizing power to individuals and local

Figure 1. The comparative change in global industrial production (from its previous peak) in the first three years of the great depression (GD) and great recession (GR). Source: Paul Krugman (2009).



communities to increase responsibility and innovation, coupled with greater transparency ('because information is power') and accountability. He argued, bluntly, that this would require a fundamental shift in the attitude and skills of public servants and (I would argue) by implication of elected politicians and the political 'popular' media:

We will require the people and organizations acting for the state to be directly accountable to the people they are supposed to serve. They will have to stop treating them like children and start treating them like adults. Through decentralization, transparency and accountability we can give people power over the services they use, over the way their tax money is spent, over how their local area is run.

But the state must go further than enabling these opportunities. It must actively help people take advantage of them. Our enabling reforms depend for their success on a social response: and that is not something we can leave to chance. How do we get parents to come forward and demand new schools in their area? How do we make sure people actually go to beat meetings and use them to put pressure on the police? How do we find successful social programmes and make sure they're introduced everywhere there is a need? In other words, how do we guarantee that the big society advances as big government retreats?

This, then, is our new role for the state. Galvanizing, catalysing, prompting, encouraging and agitating for community engagement and social renewal. It must help families, individuals, charities and communities come together to solve problems. We must use the state to remake society. We must use the state to help stimulate social action.

The challenge for public services and servants

This potentially poses a far more fundamental challenge to the skills and mindsets of those who deliver (and receive) public services than that of (simply) making financial ends meet until the economy picks up (and the levels of public and private debt fall to viable levels). A challenge that may be necessitated (in part) by the need to steer the economy through the austerity imposed by the great recession, but one which is more concerned to achieve a lasting shift in society and the relationship between individuals, local communities and the state.

So—potentially, at least—the Cameron government’s age of austerity may mark a watershed that goes well beyond the concerns of the IMF and economists about the great recession, and will require all concerned to develop new skills, approaches, and responsibilities. This could be a watershed where the real drivers and objectives are not so much about straightforward ‘cuts’, as about redefining and reshaping how public policy is made, public services provided, and public outcomes defined.

These, then, are the challenges that the articles in this new PMPA report concentrate on.

A definitional framework for assessing alternative cultures and roles for public policy-makers

Paul Joyce (p. 15) sets the scene further about David Cameron’s vision and the contemporary UK reactions to the recession. He reminds us that UK government was already independently reckoned to be very effective (when compared with other developed countries by the World Bank). But he argues that a key organizational challenge for public servants during the age of austerity will be to maintain the UK’s internationally-recognized effectiveness (in both public policy-making and public services) while both of these are being fundamentally redefined.

He proposes four alternative ‘cultural’ scenarios to describe the potential future role and overall approach of public services in general and the civil service in particular. He argues that the government’s agenda during the age of austerity will require a significant shift in Whitehall away from their traditional policy-making processes (that rely heavily on input from ‘professional and authoritative’ experts, ministers and civil servants), towards policy-making that is designed to be more inclusive of the public; and more concerned with ‘setting the strategic direction’, and ‘enabling others’. And he poses two key questions:

- Will this produce a situation in which reforms are more deliverable (by improving the receptiveness of the public to reforms)?
- How will this shift affect the future relationship between politicians and civil servants?

A senior Whitehall policy-maker's perspective

Adam Sharples (p. 25) is director general for employment in the Department for Work and Pensions, London and leads 750 staff who are responsible for the design and delivery of employment programmes and reducing child poverty. These are policy areas that (in many senses) are in the front line of new approaches to policy-making in an age of austerity and of redefining the contract between the state and individuals. He identifies the 2010 general election as a watershed for policy professionals in many ways. In particular, he highlights the new approaches that policy-makers need to apply when looking for alternatives to solutions based on public spending. He underlines the cultural change for both policy-makers and individual citizens that the Big Society requires. And he gives an insider's perspective on how the recent cuts in the number of 'resources and people to do policy' have impacted on Whitehall's approach to making policy.

But, overall, he identifies many more positives and advantages than negatives. These include the professional interest to be derived from needing to find more creative mixtures of solutions and to think in different and more fundamental ways that:

- Facilitate and encourage others to do things.
- Aim for a deeper understanding of what shifts outcomes and shapes behaviour.
- Think about the dynamics and not just look at a static picture.
- Develop new approaches and partnerships to do things at minimal cost.

He illustrates the practical impact of these differences by two case studies from child support and the launch in summer 2011 of a single comprehensive welfare-to-work programme that replaces numerous past programmes. And he underlines the need for the policy community to learn new skills and to deepen its understanding of what drives behaviour and social problems.

A senior local government practitioner's perspective

To date, most of the public/media debate has concentrated on the implications for Whitehall policy-makers and on the coalition

government's return to collective, cabinet government, rather than on the changes that will be required from local policy-makers and councillors. But these will be at least as critical to the overall success of the Cameron agenda. So it was essential that this PMPA report included the view of a leading local government practitioner.

Irene Lucas (p. 33) draws on her cross-sector experience as a local authority chief executive and as one of the top three officials at the Department for Communities and Local Government. She emphasises the need to move away from concepts built around rational top-down central planning, while recognizing that this is still taking some getting used to by many circles and media commentators. She argues that there is a need to develop better skills and value for money across all public sector disciplines, not just policy-making, and she sees a pressing need to think more radically about traditional professional structures and approaches. She highlights the need to overcome the type of inefficiencies and inflexibilities found by a recent KPMG report. This noted that:

...success [in the area of family intervention] is often defined as having up to 10 different professionals around a table to discuss a family's situation. Better outcomes and value for money could well come from forging new professions which blend together skills and reducing the number of organizations involved rather than yet more bureaucracy to manage the fragmentation.

The new local government world, she says, will require radical changes for councils, which in future will operate chiefly as 'democratic hubs' rather than as 'production lines'. That will require councillors to move from seeing their role as 'elected service managers' to 'community facilitators' and community developers; and where councils develop the resources that support civic activism, to unlock innovation and independence.

She emphasises the importance of moving to outcomes-based commissioning, and the need to learn to be 'bolder about commissioning'. She highlights the need (advocated by David Brooks in *The Social Animal*) for policy-makers at both national and local levels to integrate the work of neuroscientists, geneticists and behavioural psychologists into the world of public policy. She

concludes that we need to ‘develop a new paradigm for British public services, one that is certainly less technocratic, possibly more chaotic, but ultimately more effective’.

‘New public servants needed’

These themes around the skills that councils should be looking to develop are looked at in more detail by **Phillip Copestake** from the Office for Public Management (OPM) (p. 43). He builds on the work done by Local Government Improvement and Development, and the 2011 research undertaken by PMPA and Accenture into local authority chief executives’ reactions to the new agenda in order to offer a framework of alternative types of models for councils of the future. In his view:

...local government in the future is not going to get any easier, and will likely be even more complex. A fundamental role of the local government employee of the future will be to manage tensions, trade-offs, unexpected outcomes and inconsistencies.

He argues that future scenarios mean that the very nature of local government employment is likely to change, resulting in greater diversity of local government employment models along a spectrum which will range from collaborative working, through co-located and co-managed teams, to the outsourcing and/or ‘mutualization’ (or employee ownership) of most services. All these models seem certain to question and fundamentally change the traditional ‘psychological contract’ found in the public sector; and pose two particular challenges.

First, Phillip sees an increasing need for senior to act as intelligent clients and commissioners, and for all levels to collaborate and innovate more, and concludes that:

Over and above all of these, the perfect council employee of the future will be deeply familiar with, and naturally beholden to, the people that s/he serves: the area’s residents. The challenge that this represents cannot be overestimated. When speaking at a recent OPM seminar, a senior manager from a London borough council talked about how many of her officers were on the verge of terror at being asked to stand outside a tube station and talk to passersby about a

new initiative. Although the ethos of public service runs very deep in local government, many officers are uncomfortable in coming into frequent and direct contact with the people they serve. In the future, with open data, social media, communities able to challenge for the right to run services, and resources devolved to ever more local levels, this dynamic cannot persist.

There will be a premium on getting better at managing risk, flexibility and open communication.

Like Irene Lucas, Phillip Copestake also underlines the key influence of councillors:

The second challenge relates to the capacity of the elected members of the future to play a supportive rather than an unnecessarily antagonistic role. From OPM's work with councils across the country we have seen that, in the best cases, councillors are able to adopt a crucial role as facilitators and enablers: bringing together fluid networks of local actors (residents, civil society organizations, businesspeople) to identify solutions to common problems. But this requires a very real and very substantial shift in the modus operandi of elected members: from, crudely, berate an officer to befriend an officer.

Overall, it will be vital that the elected and officer leaders of councils effectively manage change and the morale—as well as the skills—of staff.

Shrinking and decentralizing the state—a 'bright idea' or future reality?

Sue Richards (p. 53) argues that the age of austerity provides a perfect opportunity to make a shift at the centre of the state from micro-management to strategic leadership. She highlights the genuine support for shrinking and decentralizing the state in the manifestos of both coalition parties. But finds that:

An unrealistic strategy for developing the UK's social capital, confusion between ways and means, and poor mastery of system design has left this key element of the coalition government's programme still on the starting block.

She identifies an inherent risk of a 'reversion to the default system of centralized Whitehall-based policy-making' (that can only be

heightened by those who are providing the day-to-day support for the new government being schooled in the conceptual and centre-down approach of the previous government).

She argues that:

...the current approach to decentralization is being undermined by what is de facto a higher order policy of marketization which will lead to greater centralization and failure to make headway in building the Big Society.

In order to make the Big Society a reality, she says that the prime minister needs to do to move beyond ‘managing the meaning’ to analyse the ‘complex dynamic which lies beneath the surface’ and recognize the fundamental need to partner with local authorities to ‘build local social capital and citizen involvement’. She believes that a new government also needs to recognize that there ‘are constitutional frameworks and institutionalized practices which constrain government action’, including procurement rules and the principle of holding public bodies to account. What is required is ‘a depth of understanding about what would be needed to create genuine decentralization, and thus bring the UK into line with most developed nations’. It remains to be seen if the prime minister is capable of managing not just the meaning but the practical implementation of a ‘bright idea’.

Local government can cope

David Kennedy (chief executive of Northampton Borough Council, p. 63) highlights the foundations that have been laid within local government over the past decade that have equipped many councils to react positively and innovatively to the financial challenges of an age of austerity. He argues that many local authorities will want to go well beyond simply making the books balance, to embrace a new localist agenda, and build empowered communities.

Localism is not about bolstering the role of councils as direct service providers, but developing their role as champions of communities and promoters of citizenship. He is realistic about the shift that will be needed in public thinking and in ‘communities with well-embedded dependency cultures’ in order to enable

effective local management and control of services. He highlights the capacity-building and support that will be needed for a considerable period along the way. In his view, it is time for central government to get real and to both learn from and harness the practical delivery, innovation and leadership skills that have been developed in many local authorities. This should not be confined to services that have traditionally been delivered at the local or community level:

If any senior civil servant or politician wants to know how to make public sector organizations more efficient and productive, they could do a lot worse than look at what local authorities have achieved in efficiencies in the past decade or more and begin to think about how local government can take on the delivery of services currently driven through centrally-directed agencies.

In summing up, he says:

We face very difficult times for various reasons. It is natural to believe that the task is beyond us, but it is not. Local government has demonstrated its ability to adjust to new contexts and meet new and fundamental challenges over many years and will do in this era as well.

Faith Boardman is interim development director of the PMPA and an independent member of the Metropolitan Police Authority. She was formerly the chief executive of Lambeth Council, and of three central government agencies (including the Child Support Agency), having begun her career as a senior civil servant in the Treasury departments.

PMPA reports

PMPA reports are sent free of charge to all PMPA members. To join and receive free access to past PMPA reports see www.cipfa.org.uk/pmpa/. Non-members can purchase reports from the CIPFA Shop (see www.cipfa.org.uk/pmpa/). Past reports include:

Redefining local government

Edited by Claudio Morales Oyarce (2011)

Commissioning for personalization: from the fringes to the mainstream

By Catherine Needham (2010)

Local government to governing locally

Published in association with Accenture, with contributions from Lis Astall, Keir Buckhurst, Stephen Hughes, David Walker, John Carleton and John Benington (2010)

A sustainable future for the UK

Published in association with Accenture, with contributions from Jan Bebbington, Julia Unwin CBE, Ian Carruthers and Simon Mitchell (2009)

The future of local government: has it one?

By George Jones (2008)

Watchdogs straining at the leash

Edited by Michaela Lavender (2007)

Managing stakeholders in the public sector

By Merlin Stone, Ashley Semmens and Neil Woodcock (2007)

Leading and measuring improvement in local government

By John Wilson and Colin Moore (2007)

Effective policy-making and public sector management in difficult times

Paul Joyce

Liverpool Business School, Liverpool John Moores University, Liverpool

Financial crisis and austerity

After a long period of financial stability, the UK was largely taken by surprise by the financial crisis of 2007–09. In a number of countries during the crisis there was a moment of governmental uncertainty about how to respond to the chaos in the financial institutions. By and large, few commentators thought the crisis was terminal; most assuming that it would pass. Generally in the UK most politicians were concerned with getting the economy back on track, and economic growth resumed. The UK government, then under Gordon Brown, decided to use public money to support the survival of private banks and to counter a rise in unemployment.

Perhaps one lesson from the UK's experience was that the

Some moments in the crisis:

- Lehman Brothers went bankrupt on 15 September 2008.
- On 27 June 2010, at the Toronto Summit, the Group of 20 (the world's largest economies) agreed to halve their budget deficits by 2013.
- 'The small southern California city of Maywood has hit on a unique solution to its budget crisis. Crushed by the recession and falling tax revenues, the city is disbanding its police force and firing all public sector employees. Maywood has opted for...contracting out all public services' (*Financial Times*, 28 June 2010, page 1).

government and the Bank of England had been too hands'-off in relation to maintaining financial stability, and that the regulatory arrangements required further evolution. But this point about the need for regulation does not necessarily mean that the way forward was bigger government. The financial crisis had created a period of fiscal difficulties in the UK, and there was a realization that government would have to deal with deficits and debt, and that this would involve making reductions of public spending, and making reductions in staffing in the public services, but leading politicians had also been thinking about the type of government that society now requires. David Cameron, towards the end of 2009, said:

Of course the state should be smart. Of course it should be strategic. But isn't this the very least we should expect from government? I think we should expect an awful lot more.

Smart, strategic states 'steer' rather than 'row' (Osborne and Gaebler, 1992). The strategic state that had been emerging in the UK had focused on strategic transformations of public services systems (for example health, schools, and criminal justice). These transformations were designed to reform systems so that they would be subject to pressures for continuous improvement through the effects of service user choice, commissioning, competition between public service providers, and funding of service providers on the basis of payment by results. If successful, these pressures would mean that the centre of government would have created public services systems that needed less micro-managing and would have been more decentralized. But strategic states can steer in other ways, other ways that are not mutually exclusive ways. Importantly, they can also steer by fostering action and problem solving in civil society (comprising the public generally, families, local communities, businesses and so on). When they function in this way, the government is not delivering services to solve problems but takes up the role of catalyser and facilitator of action by others.

This second aspect of the smart, strategic state was clearly in David Cameron's mind in late 2009:

I believe that, in general, a simplistic retrenchment of the state which assumes

that better alternatives to state action will just spring to life unbidden is wrong. Instead we need a thoughtful re-imagining of the role, as well as the size, of the state...Because we believe that a strong society will solve our problems more effectively than big government has or ever will, we want the state to act as an instrument for helping to create a strong society...Our alternative to big government is the Big Society. But we understand that the Big Society is not just going to spring to life on its own: we need strong and concerted government action to make it happen. We need to use the state to remake society.

So, policy over the next few years will be the province of government that is trying to be smart, trying to be strategic, trying to move away from micromanaging, and trying to develop a new relationship with society—while cutting back on public spending. This is the environment for policy-making and delivery over the next few years.

One of the organizational challenges in this period will be to maintain the effectiveness of policy-making and public service delivery while downsizing government and the public services. This will call for very effective strategies if the capabilities of the public services are to be sustained. The UK public services have experienced major restructuring (for example the creation of next steps agencies, the internal market in the National Health Service, the modernization of the NHS through patient choice, commissioning and provider competition), fundamental changes in budgeting and performance management (for example comprehensive spending reviews and public service agreements introduced in 1998), and other modernizations, under successive governments. Such changes have to be accomplished while at the same time maintaining continuity of service to the public. Such changes have to be made while holding on to the tacit knowledge and organizational memory of civil service and public service organizations going through the change.

Effective government

The UK government was shown by the World Bank in 2009 to be, relatively speaking, very effective (see table 1). The World Bank measured government effectiveness using perceptions of the quality of public services, the quality of the civil service, the degree of independence of the civil service from political pressures, the quality of policy formulation and implementation, and the credibility of the

Table 1. Update of the World Bank's governance indicators (2008 data).

<i>Country</i>	<i>Government effectiveness</i>	<i>Country</i>	<i>Government effectiveness</i>
Denmark	99	France	91
Finland	98	Germany	88
Netherlands	97	Spain	88
Norway	96	Portugal	80
Sweden	95	Greece	75
UK	94	Italy	70
Ireland	91		

policies in terms of government commitment to them.

But for government effectiveness to be maintained there probably has to be adjustment to new circumstances, including adjustments in policy-making and implementation and public services management. What is the way forward in the age of austerity? One way to think about this is to consider some scenarios for the next few years. The four scenarios in figure 1 are taken from my presentation to the Civil Service Live conference in London in July 2009. Table 2 shows the imagined futures in more detail. It is possible that a government might seek to pursue one of these scenarios and reject the others, but it is also possible that government foresight about the future might

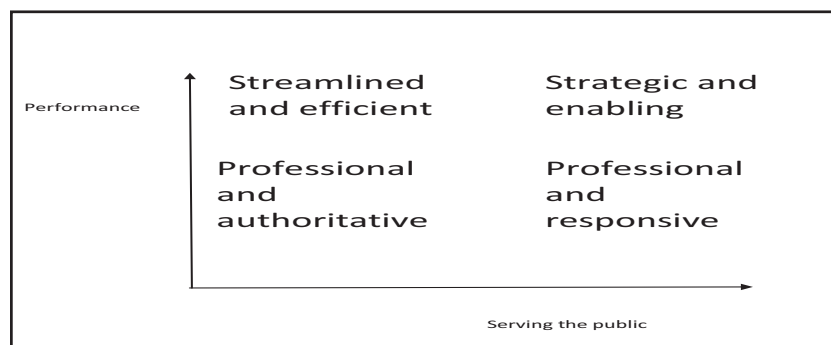
Figure 1. Four scenarios for public services and the civil service.

Table: Four scenarios of the future of public services and civil service (imagined futures). From Joyce (2011).

<i>Professional and authoritative</i>	<i>Professional and responsive</i>	<i>Streamlined and efficient</i>	<i>Strategic and enabling</i>
<p><i>Public services</i></p> <ul style="list-style-type: none"> • Belief that a responsible and professional civil service is the key to both flexibility and the quality of public services • Professionals are trusted to know best; emphasis is on responsibility rather than accountability • Professionals must be supervised by others in same profession • Interest in developing evidence-based policy-making • Codes of professional conduct 	<p><i>Public services</i></p> <ul style="list-style-type: none"> • Professionals consult public and service users to find out their preferences (surveys, focus groups etc.) • Use of quality and customer care programmes • Use of quality circles • Complaints procedures • Planning systems in which budgets are allocated after careful assessments of needs • Ombudsman systems back up internal complaints procedures 	<p><i>Public services</i></p> <ul style="list-style-type: none"> • Line management, clear objectives, and competent civil servants are seen as key • Outsourcing and competitive tendering to the private sector is used as a cost reduction measure • Use of performance management systems and performance indicators • Development of resource management initiatives, management information systems and performance budgeting • Organizations subject to inspection, audits, and special measures for failing organizations 	<p><i>Public services</i></p> <ul style="list-style-type: none"> • Strategic and community plans and innovation are used to identify and pursue public priorities • Ministries' HQs are slimmed down • Government seeks to empower the public • Interest in development of strategic commissioning systems • Financial systems designed to empower service users
<p><i>Civil service</i></p> <ul style="list-style-type: none"> • Modern strategies on HR, workforce planning, recruitment, reward and retention • Commitment to merit-based HR systems • A professional infrastructure is developed for all civil servants 	<p><i>Civil service</i></p> <ul style="list-style-type: none"> • Professional education modified to encourage listening to clients and their preferences • Customer care training programmes and development of expertise in QM 	<p><i>Civil service</i></p> <ul style="list-style-type: none"> • Training budgets are focused on developing competency so that individuals work in line with roles and standards • Incentive payment systems are favoured but there may be concerns about capability of managers to operate properly 	<p><i>Civil service</i></p> <ul style="list-style-type: none"> • Leadership development is a priority • Talent management systems • Strategic thinking skills and can-do attitude fostered among senior civil service grades

weave together some or all of them into a composite desirable scenario. So, it is not necessary to see this as a matter of choosing between the four scenarios.

Policy formulation and implementation in an age of austerity

I could take this examination of future options further by considering

how the nature of policy formulation and implementation processes would vary according to the four scenarios. For example, in two of the scenarios it would be expected that the civil service would make a significant contribution to both policy formulation and policy implementation. However, in one case ('professional and authoritative') the processes might involve the public very little, and in the other case ('professional and responsive'), the processes could involve the civil servants working extremely hard to engage the public in the development of policy ideas and even in the planning of policy implementation.

Geoff Mulgan, one time head of the UK government's Policy Unit and Forward Strategy Unit, told a select committee that this inclusion of the public in policy-making was a challenge for the civil service. He said the following about policy-making on illegal drugs:

...there have been many expert commissions and reviews, but not ones which actually have involved large sections of the public who remain quite resistant to many reforms...That is probably an example of the sort of issue where we need to think much more radically about ways of involving large sections of the public in the policy process and not just officials, ministers and experts (Public Administration Select Committee, 2nd report of session 2006–07).

There was a clear implication in his remarks that not only was there a tendency to populate the policy processes with civil servants, politicians and experts, there was also a price to be paid in terms of the receptiveness of the public to reforms. It will be difficult for government in the next few years—in the age of austerity—to create policy-making that is more inclusive of the public and this is for the obvious reason that the government will be concentrating on reducing the budget deficit.

The civil servants will continue to be important for policy delivery. It has often been said that elected politicians are responsible for policy and are focused on outcomes, whereas civil servants have the role of implementing policy and are more interested in outputs. But against this view there is a long-standing assessment that, at least informally, civil servants are very significant in the policy-making process because of their expertise and because of their advisory role. Arguably, there is another view that it would be a good thing if the relationship between

ministers and civil servants took on a partnership quality, with elected politicians being the senior partners. Indeed, some European writers about new forms of governance have suggested that the rigid demarcation between politicians and civil servants is breaking down a little, with politicians taking a keener interest in the management of the delivery of their policy and the civil servants having to take on some of the responsibility for finding out what the public wants.

If the UK continues to move towards a ‘strategic and enabling’ scenario, it is likely that politicians and civil servants will both need to be strategic thinkers and both will need to develop strategic foresight together. Both will be needed to work together on solving strategic issues. It seems likely that any attempt to maintain a rigid demarcation between the ministers formulating policy and the civil servants handling strategic implementation will prove unsatisfactory. However it evolves in the age of austerity, the quality of relations between elected politicians and appointed officials will continue to be one of the key factors in determining government effectiveness, especially in a scenario which features a bigger role for civil society (the Big Society) in societal and community problem-solving.

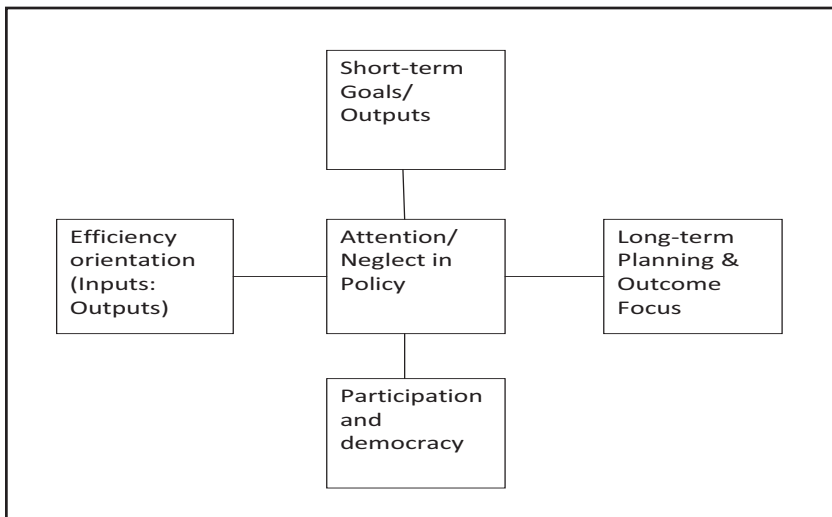
Conclusion: policy foresight not forecast

In the past, businesses made predictions about the future and developed strategic plans based on trend extrapolations. Commonly it is assumed that this is a very doubtful basis for prediction and strategic planning in the case of public policy, at least within the early months of every new government. We have a majoritarian political system and we expect this to deliver strong governments and big swings in policy with each new government that is elected. (On the other hand, it should be remembered that the welfare state policies of the post-war period of the 1950s and 1960s were underpinned by a consensus across the political spectrum.) However, the general election in 2010 produced a coalition government and there have been clear statements by leading politicians suggesting that the model of domestic reforms instigated by Blair were of great interest to them. In consequence, there is the possibility that the coalition government will develop public policies based on learning from the Blair public services reforms. This would mean we could anticipate policy changes over the next five years by extrapolating from the Blair period.

Quite different policy foresights might emerge by considering some recent work on the political history of European countries. This suggests that policy evolution is the result of a shift of attention towards problems that existing policies have neglected (De Vries 2010). See figure 2.

Is there a pattern in the UK of policy attention shifting to problems neglected by existing policies? I think we can make a prima facie case for this. In the late 1960s and through much of the 1970s we had corporatist policies of government involving employers and trade unions—the emphasis was on using participation to help find compromises between major societal interests. The aim was integration of these interests in the political system. In the 1980s this was abandoned and the focus in domestic policy was changed to achieving higher efficiency. For example, the policy of compulsory competitive tendering was aimed at driving up efficiency in local government and the NHS. The view was taken that the previous government had neglected the need for efficiency in the private sector and in the public sector. Of course, as is well known, the chosen tool to get this efficiency was the market—not participation of interest groups through corporatist mechanisms. By 1990 there was a sign

Figure 2. The evolution of policy-making—the importance of neglect.



that policy was evolving again—despite the sustained drive for efficiency it was not clear that the public services were paying attention to the citizen. Hence John Major introduced the Citizen's Charter and the focus turned to the issue of quality. This was further developed in the period after 1996 by the government's focus on delivering outcomes that were of concern to the public and long-term thinking in policy-making was brought in with a set of bold reforms of public service systems. But by 2007 there was again a concern that public spending had been allowed to increase too much and an attempt was launched by the then prime minister to carry out a fundamental savings review. (But this review apparently lacked impact.) The implication of holding the fundamental savings review was that efficiency had been neglected.

The key questions for those interested in policy foresight are, therefore, what is the policy-making of the coalition government concentrating on now, and what problem is being neglected? The government is clearly very focused on a short-term goal (dealing with the deficit within the lifetime of the parliament). Therefore, using De Vries' ideas, we can anticipate the coalition government's pursuit of the short term goal of cutting the deficit may lead to future policy changes that pay attention to democracy and participation, or to efficiency, or to desirable outcomes for citizens and a stronger emphasis on longer term planning.

References

- Cameron, D. (2009), See www.conservatives.com/News/Speeches/2009/11/David_Cameron_The_Big_Society.aspx
- De Vries, M. S. (2010), *The Importance of Neglect in Policy-Making* (Palgrave Macmillan, Basingstoke).
- Joyce, P. (2011), *Strategic Leadership in the Public Services* (Routledge, London).
- Osborne, D. and Gaebler, T. (1992), *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector* (Addison Wesley, Reading).

Professor Paul Joyce is Director of Liverpool Business School at Liverpool John Moores University. He is a member of the Public Sector Management Development Steering Committee of the

European Foundation for Management Development (EFMD), Co-chair of the Permanent Study Group on Strategic Management in Government for the European Group for Public Administration, and a board member of the Public Management and Policy Association. His main area of expertise is strategic planning and management in the public services. His latest book, *Strategic Leadership in the Public Services*, is published by Routledge in late 2011.

Developing effective policy in an age of austerity

Adam Sharples

Department for Work and Pensions, London

In many ways the 2010 general election marked a watershed for policy professionals. The incoming coalition government gave top priority to deficit reduction and planned substantial reductions in spending in most areas. The new emphasis on the Big Society challenged the idea that government has all the answers. And, right across government, resources available for policy work are being reduced. Faced with all this, it would be easy for those working in policy to get gloomy. However, I believe that, instead, it is a great opportunity to rethink how we do policy work and to explore new tools and approaches.

The shifting context for policy work

The spending shift

In the decade to May 2010, public spending in the UK rose by over half in real terms. The state's share in total spending rose from 37% to 47%, with a corresponding stretch in the role and reach of government.

In some ways policy-makers can get lazy when money is readily available. It is relatively easy, and very tempting, to turn the impulse to do something, to be seen to be doing something, into an announcement, an initiative, a pilot programme.

One chief secretary I worked with had a simple ready-reckoner. Announcing a spending programme of £10 million would get you onto page 10 of the *Guardian*; £100 million would get you onto page 2; and £1 billion would get you onto the front page. Policy naturally tended to focus on opportunities for designing and running new

programmes and the pressures in the system were often to make sure that budgets were fully spent.

This is not to say that money was simply wasted. In my experience, value for money has always been taken very seriously and genuine efforts were made to evaluate policies. And, of course, in many areas there were serious needs for spending. But, inevitably, there was less pressure to look for alternatives to solutions based on public spending. And this tended to encourage the assumption that whatever the problem, the answer lies with government; and that answer usually involves spending more public money. This, in turn, draws government into all the mechanics of trying to ensure that spending delivers a decent return—setting targets and holding people in the ‘delivery chain’ to account. For that approach to policy-making, what the prime minister has called the ‘age of austerity’ is clearly a real threat.

The Big Society

A lot of commentators have grumbled that the ideas around Big Society are woolly and hard to pin down. There are certainly plenty of competing interpretations. But the prime minister has been clear and consistent in his account. He summed it up in this way when he launched the Big Society theme in Liverpool:

The Big Society is about a huge cultural change, where people, in their everyday lives, in their homes, neighbourhoods and workplace, don't always turn to officials or government for answers to the problems they face, but instead feel free and powerful enough to help themselves and their own communities (Cameron, 2010).

He reinforced this message in a speech in February this year:

To me there's one word at the heart of all this and that is responsibility...What this is all about is giving people more power and control to improve their lives and communities (Cameron, 2011).

Critics might say the Big Society is just part of the window-dressing for the age of austerity—a rationalization of cuts in services and a justification for a *laissez faire* stance on social problems. But I disagree.

It is a challenge to us to think harder about the role of government. It is not about abdicating responsibility but, rather, about working in different ways.

Slimming down

Finally, as part of the squeeze on spending, all Whitehall departments are slimming down, especially in their corporate centres. Policy staff have to be part of this. May 2010 was probably a high-water mark for the numbers of policy staff in government—it won't be reached again for a very long time. There will simply be fewer resources and people to do policy.

New approaches to policy

So what does all this mean for the way we approach policy work in future? One way of exploring this is to take a policy problem and to ask how could a government start to tackle it without spending any money. I have tried this exercise with a variety of civil servants in different departments looking at issues like reducing childhood obesity, or encouraging the unemployed into self employment. It has always produced a lot of very creative answers and a real sense that government can be a player and can influence outcomes without always reaching for its wallet.

Some of the themes that emerge are that:

- It is important to start by understanding the forces that shape behaviour; not just at the rational level but at the emotional and even sub conscious level too. The *MINDSPACE* report (Institute for Government, 2010) offers a compelling framework for understanding the conscious and sometimes sub-conscious pushes and pulls that influence the way people behave.
- Often a lasting change depends of shifting culture—what people see as normal or accepted behaviour. And that is often shaped by role models, peer pressure and how people see themselves.
- Government can often help by encouraging and facilitating others rather than doing things itself. Supporting volunteers and local community groups are obvious examples. Helping trusted independent figures to deliver messages for example can be much more influential than government speaking directly.

- Shifting behaviour often means shifting incentive structures. For example charges and taxes can influence the choices people make.
- Regulation is a relatively cheap option for government, though it can of course mean costs for the regulated. Sometimes just the threat of regulation can shape behaviour.
- Using behavioural psychology to ‘nudge’ people towards doing the right thing can help.
- Where some spending is needed, we can sometimes get others to pay, for example through sponsorship or tapping into commercial or philanthropic interests. There are interesting ideas for funding interventions through ‘social impact bonds’ bought by private investors which earn a return out of the savings they deliver to government.

What is interesting about this kind of challenge is that it needs policy advisers to aim for a deeper understanding of what shifts outcomes and what shapes behaviour. You need to track back to the roots of social problems, not simply address the symptoms. And you need to think about the dynamics and not just look at a static picture.

Of course the resources tap has not been turned off completely and there is usually an opportunity for government to deploy a mix of solutions including some spending where it makes sense. But asking how we could address issues without spending money, and asking how government can contribute to solutions without having to deliver the answer, can open the door to more effective policy and more sustainable outcomes.

Two examples from my department illustrate this shift to a new emphasis in policy.

The ‘Work Programme’

The first example is in welfare to work. The underlying problem is that there are around five million people of working age in the UK who are living on benefit. Around three million people have been on benefit for over a year, and two million for over five years.

In the past we have tried to help people into work using a mix of public provision through Jobcentre Plus and contracting with the private and third sector to deliver employment programmes. Where we have let contracts, typically we have specified quite a lot of what

providers have to do—the interviews they must conduct or the options they must offer. And we have run different programmes for people on different benefits—for example the young unemployed or lone parents.

This summer a single, comprehensive welfare-to-work programme was launched—the ‘Work Programme’—replacing the numerous past programmes. It will be delivered not by government, but by private and third sector providers working on contracts, supported by a large network of subcontractors. The new programme has a number of innovative features. The key is that it will pay providers almost entirely by results. They will earn their revenue from helping people move into work and then helping them to stay in work.

The new programme will therefore have much stronger incentives to deliver results than we have achieved in the past, and this means that government can stand back and allow the providers to judge what will work. Government is not pretending it has all the answers. It is setting up a framework in which providers have an incentive to draw on their own evidence and experience, to be creative and innovative, and to build partnerships that will help them deliver results.

Since we pay providers when people have moved off benefit into work, there is a direct saving to government out of which we can make payments. We will not achieve the ideal of an entirely self-funding programme, but it is a big step towards delivering services through payment by results out of savings delivered.

Child support

My second example is child support policy. This is one of those areas of policy which most people are very happy not to go near. But if parents split up, then it is very important that both parents share fairly in the costs of supporting the children. Government’s response in 1993 was to set up a state agency—the Child Support Agency—to work out how much the ‘non-resident’ parent should pay and collect the money. The aim was to get the parent who left—often the father—to meet their responsibilities and support the children; and to reduce the cost of supporting poorer single parents through welfare benefits.

The agency struggled from the start because the incentives in the

system were poor. Most of its customers were lone parents on benefit who had to apply to the CSA for maintenance to be entitled to benefit. But they had little incentive to provide information because they could only keep a small amount of any maintenance paid without losing their benefit. And the non-resident parents often had poor incentives to co-operate because most of the money went to the taxpayer rather than the children.

As a result, the system became clogged up with over a quarter of a million unprocessed or stuck cases; arrears of uncollected maintenance built up and around 10% of the staff of the agency were employed to deal with complaints. The taxpayer got a poor deal as the savings on benefits fell far short of the administrative costs.

The government is pursuing a reform programme with three key elements:

- The first is to help separating parents to make their own arrangements. This means rethinking the role of government and recognizing the prime responsibility for supporting children rests with the parents—and the first thing government should do is to help and encourage parents in exercising this responsibility. We can do this in all sorts of practical ways—for example by advising parents when they separate on how they can set up regular maintenance, by explaining how much maintenance would be paid under the statutory formula, and if necessary by tracking down income and doing the calculation.
- The second shift is to get the incentives right. Under the new arrangements lone parents on benefit no longer have to apply for maintenance but, if they do, they can keep all the money without losing their benefit. This means all the applicants really want to pursue their case rather than going through the motions so they can claim benefit. And the parent who lives apart from the children has a much better incentive to pay because they know the money is going to the children and not to the Treasury. A final incentive is charging. In future, the state service will not be free, so there is an extra reason for parents to consider making their own arrangements, which often lead to better outcomes for the children. And this will reduce costs to the taxpayer.
- The third shift is to recognize that it is not enough for government

just to pick up the pieces when things go wrong. Government will be looking upstream, understanding better what happens in families when they are at risk of splitting up and, where possible, helping them to stay together or handle the split responsibly and without acrimony.

What are the skills we need?

I hope these examples show that policy in an ‘age of austerity’, informed by the principles of the Big Society, can be both creative and effective. The answer in both cases is not that government should step away from the problem and care less about the outcomes. It is that government should think hard about its role and its limitations and how it can shape outcomes without necessarily delivering directly. In short, not less government but different government.

If I am right, then policy professionals need new skills. We need to understand better the underlying dynamics of social problems and the psychology and incentive structures that drive behaviour. We need to be creative and confident in using a more varied policy toolkit—not always reaching for the spanner labelled public spending. And we need to be skilled at commissioning, designing funding and contract frameworks that keep commercial interests well aligned with public aims.

How can the policy community learn these skills? This is a big subject in itself, but we need to be much more serious about continuous professional development—something that many professions see as an integral part of being an effective professional. We need a curriculum for development that recognizes the new skills that policy advisers need. But, above all, policy staff should be regularly exposed to the perspective of those on the receiving end of policy—whether customer or citizen.

Conclusion

The check on public spending—the unavoidable consequence of the need to tackle the structural deficit—is forcing everyone involved in policy to take fresh approaches. The easy option of funding a new programme is just not there. We should seize this as an opportunity to be more creative and in the process we have the chance to achieve more sustainable outcomes.

But all of this will need versatile policy staff equipped with new skills. So far from being gloomy, this is a really exciting time to be in policy.

References

- Cameron, D. (2010), See www.number10.gov.uk/news/big-society-speech
- Cameron, D. (2011), See www.number10.gov.uk/news/pms-speech-on-big-society
- Institute for Government (2010), *MINDSPACE: Influencing Behaviour Through Public Policy* (London).

Adam Sharples has been a director general in the Department for Work and Pensions, London, since 2004. Before that he worked in the Treasury for 15 years where he was director of public spending from 1998 to 2003.

The overthrow of technocracy in an age of austerity

Irene Lucas CBE

Formerly Department for Communities and Local Government, London

We're not going to change human nature anytime soon. It isn't that we aren't rational. We are rational. But reason has its limits.

This quotation is from arguably the ultimate technocrat, former US secretary of defense Robert McNamara. He ruminated on his time at the top during the Vietnam War reflecting on the drawbacks of using the scientific managerialism he had learned and perfected while president of the Ford Motor Company in the world of government policy-making. This has so much to teach us about the danger of holistic application of business solutions to social problems. Now is a good time for all of us who work or are interested in policy development and how public services are delivered to reflect on the limits of managerial 'technocracy' and to question perhaps whether its domination in the public sector is an altogether good thing. It is surely right to explore new, innovative and more humane ways of ensuring that complex social problems are addressed more effectively than they were in the past.

The context

The biggest funding cuts in 30 years are causing us all to ask fundamental questions about public services:

- Who they should be provided to?
- How badly would communities miss them if they weren't there?
- Should they be provided at all?

Even before this fiscal tightening, the massive centrally-planned bureaucracy established by the post war Labour Government—and fine-tuned as modern managerialism under Thatcher and Blair—was already starting to creak (see Alldritt *et al.*, 2009). Many in the sector had come to realize that traditional models of service delivery with ‘the state delivering to essentially passive citizens’ was already becoming unsustainable (Bunt *et al.*, 2010, p. 4). Most agreed with the ambitions of the 1942 Beveridge Report and the provision of the welfare state. The debate, however, about whether the pendulum of intervention in people’s lives had swung too far and bred a culture of dependency, had already begun.

The Big Society agenda introduced by the coalition government caused a stir in policy circles and beyond, because of the uneasy recognition that many public services are just not working for the people they seek to serve. Policy-makers have tested to destruction the idea that communities can be effectively ‘managed’ through a raft of strategies, pilots, and all the panoply of rules and regulations. Is it now time to move from the ambition once quoted to me by a lead inspector from the Audit Commission of having ‘plan heaven’ to an aspiration for ‘people heaven’?

What might work

It is revealing, then, that many of the most interesting community projects from the UK and around the world have been populated by imaginative, committed people who have developed ways of short-cutting bureaucracies—or just avoiding formal institutional service delivery structures altogether. Examples include:

- The award-winning Tyne Gateway project in my old patch of South Tyneside where, by harnessing the knowledge and credibility of ‘community entrepreneurs’, families in poverty have been supported to negotiate the complexities of the very services put in place to help them (see *Local Government Chronicle*, 21 April 2011).
- The local area coordinators in Western Australia (<http://www.disability.wa.gov.au/forindividuals/lac.html>) who have simplified the delivery of services and how ordinary, often vulnerable, people access them.

- The Scallywags parent run nursery in Bethnal Green, London which has worked hard to overcome the stultifying child protection procedures ostensibly enforced to protect children, that have just got in the way of providing services to families in need.

The energy and enthusiasm that was shown in the Total Place project showed the appetite for acknowledging that rigid, managerial, institutional solutions don't always work when dealing with people with complex often highly personalized problems. The key to its early success was to create an environment for new ways of understanding human behaviour and responding to it in a humane way rather than through the prescribed technocratic processes by which organizations were measured as successful.

Not all subscribe to the view that moving away from structure and prescription is the right thing to do. It was instructive to observe the shocked reaction to Nick Boles MP when he revealed at a *Guardian* seminar in December 2010 that the prime minister and his deputy did not believe in central planning and that it would be a good thing to have different communities offering different types of services, even if the appearance was chaotic:

I mean, bluntly, there comes a question in life. Do you believe planning works? That clever people sitting in a room can plan how people's communities should develop, or do you believe it can't work? I believe it can't work, David Cameron believes it can't. Nick Clegg believes it can't. 'Chaotic' therefore in our vocabulary is a good thing.

This is actually part of a very old Conservative tradition, and recalls Harold MacMillan's languid observation that 'we did not overthrow the divine right of kings, to replace it with the divine right of experts'. This critiques the management and nationalization of community life that has seemed to simultaneously both increase dependency on the state, raise expectations of what it can achieve and engendered a sense of entitlement. It also questions whether professional specialist 'experts' set up in silo institutions can find the solutions to complex social problems.

Early intervention

In local government circles we have seen this most starkly in the fields of social work and ‘family intervention’. For example we have talked glibly about ‘early intervention’ and ‘targeted support’ in public policy circles for a very long time without really considering why we have seen so little effective delivery of its principles. Indeed, where some have written about the importance of ‘meeting unmet need’ (Young Foundation, 2009), we may be missing a fundamental point: intervening early and meeting the needs of every ‘vulnerable’ family may be simply too complex for any arm of the state to actually achieve.

Most of the technocratic solutions to the problems of child protections have tried to take this approach, with bewilderingly complex IT solutions and equally Byzantine bureaucratic systems, that exhaust social workers and discourage families. Surveys show that much of the human resource of social work goes into feeding the system and following the processes, rather than talking and listening to people and resolving their problems.

The point is sometimes made about early intervention that it is better to build a fence at the cliff edge rather than provide an ambulance at the bottom. But, to put it another way, an ambulance service is more deliverable when compared to the expense and complexity and arguably impossibility of fencing off every mile of cliff with counsellors every 100 yards. People will always find a way of climbing that fence anyway.

Providing experts working in silos with responsibility for one strand of the spaghetti, in the life of a family who have a complex entangled bowl of it, is expensive, frustrating and ineffective.

We must reflect that the proliferation and professionalization of these services can be part of the problem. A recent report (KPMG, 2010, p. 8) noted that in the field of early intervention:

Success is often defined as having up to 10 different professionals around a table to discuss a family’s situation. Better outcomes and value for money could well come from forging new professions which blend together skills and reducing the number of organizations involved, rather than yet more bureaucracy to manage the fragmentation.

Barry Quirk (2011) makes the point in an exploration of the public entrepreneur that the solution is not always to adopt private sector practice or a scientific approach when working with people. He quotes from Jim Collins:

We must reject the idea—well-intentioned but dead wrong—that the primary path to greatness in the social sectors is to become ‘more like a business’. Most businesses—like most of anything else in life—fall somewhere between mediocre and good. Few are great. When you compare great companies with good ones, many...business norms turn out to correlate with mediocrity, not greatness. So then, why would we want to import the practices of mediocrity into the social sectors?

Forging new professions is surely right. Too many seemingly distinct services are really just varieties of social work, with professional demarcations only confusing the client. A recent blog by John Houghton on NewStart noted how this can lead to well-funded agencies finding ‘ingenious ways to play pass the parcel with (clients) problems’ and that the charity he is involved in only exists because the frontline public services that were paid to help these people in the first place were repeatedly failing. At the most basic level calls were not returned, case details were lost, administrative processes and just plain, simple courtesies were ignored (see www.cles.org.uk/yourblogs/a-million-little-betrayals/). He goes on to make the telling point that if the same passion he saw during the cuts process had been directed at service failures, then the public as a whole wouldn’t be so quiescent about the cuts and generally sceptical about the value and efficiency of public services. A stark message—and one that we need to take seriously.

Empowered, committed individuals

A recent DWP survey showed that the ‘quality of the relationship between client and adviser was top of the list of priorities for a quality service’ (see Robinson, 2011, p. 46). This should be at the top of our list too: give public servants the skills and freedoms to work more empathetically with the public, and sweep away moribund bureaucratic processes and professional barriers. Kids Company is one of the few organizations to really get this, and

have led the way in developing truly multi-disciplinary teams. With the changing national policy agenda, we now have an unprecedented opportunity to do more of this.

The current government takes some pride in not setting out detailed central visions, and this is reflected in the thinking behind the abolition of the Audit Commission, the Localism Bill, and the *Open Public Services* white paper (Cabinet Office, 2011). This was a key theme explored by Bunt *et al.* (2010, p. 50) in the stimulating discussion paper, *Schumpeter Comes to Whitehall*, in which they observe that:

Instead of assuming that the best solutions need to be determined, prescribed, driven or 'authorized' in some manner from the centre, policy-makers should create more opportunities for more distributed innovation and look for solutions beyond established organizations and experts.

Empowered, committed individuals, prepared to deliver beyond what it says on their prescriptive business card will provide a more humane, client-focused approach to finding solutions for people.

This must provide a greater opportunity for local politicians to move from seeing their role as mainly elected service managers, to one where councillors see themselves as 'community facilitators who provide strong, credible community leadership and are highly visible, but not necessarily responsible for service delivery' (Deloitte, 2011, p. 7).

Such new thinking will help us move from 'place shaping' with its connotations of desk-based *dirigisme* and five year plans, to 'community development', where councils develop the resources that support civic activism, to unlock innovation and independence (Parker, 2011, p. 14). Knowledge empowers people, and through new social media we have the tools at our disposal to share information with communities on a scale never thought possible. Indeed, the RSA's 'Connected Communities' project has shown that an approach based on utilizing and building people's social networks, which largely determine our ability to create change and influence decisions that affect us, will be more effective than waiting for citizen led service-delivery.

This is a radically different world for policy-makers, with

councils operating chiefly as ‘democratic hubs’, rather than just production lines, and with service delivery itself moving from wholesale to retail as choice and knowledge increase. Much of this will be unfamiliar, but much will remain constant, politicians will still make decisions, and public servants will have to put them into practice.

Nye Bevan observed that ‘priorities are the language of politics’, but as policy-makers we must get better at translating that language into clearer outcomes. The RSA’s work in this area has been helpful, and has focused attention on the age-old challenges in the public sector of accountability and measuring success. For them, the current system is often ‘inefficient, provider-dominated, not sufficiently citizen-focused and lacks effective mechanisms of accountability’ (RSA, 2010). Mark Friedman’s work on ‘outcomes-based accountability’ is essential reading in this area, and offers us a way to produce useful plans that move beyond the old model of ‘ivory tower’ strategy development, as:

...in many organizations, strategic planning processes are completely useless. Strategic plans often take a lot of time and energy to produce and simply don’t get used for anything (Friedman, 2005).

Instead, outcomes-based commissioning reorganizes government and accountability around citizens and outcomes rather than services and professionals (Gillinson *et al.*, 2010), and crucially, links ‘good ideas with financial consequences’, forming the basis for ‘payment by results’ models that could transform the effectiveness of public services (KPMG, 2010, p. 6).

Braver and bolder

But for this to work, we must be bolder about commissioning. KPMG have highlighted the ‘incumbency bias’ of existing projects, and the enduring ‘stickiness of funding’ (KPMG, 2010, p. 7), but if a greater understanding of outcomes teaches us anything, it is that no service or project can have an uncontested and unequivocal track record. Despite the greater sophistication of performance management, and the wider currency of ‘social return on investment’ models, measuring impact on human lives remains an

art, not a science.

Ultimately this means more value judgments and, by extension, more politics and empathetic service delivery. It means being clearer about when technocratic managerialism is relevant and when it is not.

The *New York Times* columnist David Brooks has shown how the work of neuroscientists, geneticists and behavioural psychologists on the power of the human unconscious, should be integrated more fully into the world of public policy. Brooks makes a strong case that human beings aren't desiccated calculating machines, whose behaviour can be shaped by tinkering bureaucrats who have a tin-ear for how real people behave and react. On education, for example, he argues persuasively that 'people learn from people they love' so that any 'talk of reform which is not about the relationship between teacher and pupil is irrelevant'; and on social policy more broadly he has concluded that 'changing the environment grooves the mind'. As we debate what the core functions of local government should be in this period of retrenchment, we would do well to dwell on the crucial importance of improving the civic realm through better schools, housing, and regeneration—rather than more well-meaning attempts at social engineering.

In a review of Brooks's work, the *Economist* made the telling point that although he is right to criticise the deficiency of the bureaucratic state:

If America (or Britain) were perfect technocracies, or even if they were merely as technocratic as the EU, then Mr Brooks would be right to worry a lot about rule by over-cerebral wonk. But thinking about countries with regular, free elections, my sense is rather the opposite: that political leaders spend almost every waking hour obsessing about the gut instincts, prejudices, fears, hopes and aspirations of voters, no matter how irrational.

There is a danger in these straitened times that we can see our policy expertise and drive toward managerial solutions to complex problems as a substitute for those political and emotional instincts. In this brave new world of the Localism Bill and the *Open Public Services* white paper, it is imperative that we develop a new

paradigm for British public services, one that is certainly less technocratic, possibly more chaotic, but ultimately more effective.

References

- Alldritt, C., Masters, J., Gerritsen, S. and Kippin, H. (2009), *A Brief History of Public Service Reform* (2020 Public Services Trust, RSA, London).
- Brooks, D. (2011), *The Social Animal: The Hidden Sources of Love, Character, and Achievement* (Random House, New York).
- Bunt, L., Harris, M. and Westlake, S. (2010), *Schumpeter Comes to Whitehall: Cuts and Innovation in Public Services* (NESTA, London).
- Cabinet Office (2011), *Open Public Services*, Cm 8145 (The Stationery Office, London).
- Deloitte (2011), *A Little Local Difficulty: The Challenges of Making Localism Work* (London).
- Friedman, T. L. (2005), *The World is Flat: A Brief History of the Twenty-First Century* (Farrar, Straus & Giroux, New York).
- Gillinson, S., Horne, M. and Baeck, P. (2010), *Radical Efficiency* (NESTA, London).
- KPMG (2010), *Payment for Success* (London).
- Parker, S. (2011), *Next Localism: Five Trends for the Future of Local Government* (NLGN, London).
- Quirk, B. (2011), *Re-imagining Government—Public Leadership and Management in Challenging Times* (Palgrave Macmillan, Basingstoke).
- Robinson, D. (2011), Focusing on people and prevention to do more with less. In Morales Oyarce, C. (Ed), *Redefining Local Government* (PMPA, London).
- RSA (2010), *Connected Communities: How Social Networks Power and Sustain the Big Society* (London).
- Young Foundation (2009), *Sinking and Swimming: Understanding Britain's Unmet Needs* (London).

Irene Lucas was formerly director general of local government and regeneration in the Department for Communities and Local Government. Before that she was chief executive of South Tyneside Council. She is presently a member of the faculty of

Cambridge University (Judge Business School), freelance consultant and chair of Hays Travel—the UK’s largest independent travel agency.

New public servants needed

Phillip Copestake

Office for Public Management (OPM), London

A previous PMPA report, published earlier this year, featured the findings of a survey of local authority chief executives (Morales Oyarce, 2011). One of the most strongly held views among the CEOs taking part was that councils' number one asset was their people. As one chief executive put it: 'in tough times, a good employer will put even more efforts into developing its people' (Bungard, 2011). But what kind of people should local authorities be looking to develop? In order to answer this question, it's sensible to start with what the council of the future itself might look like and work backwards from there.

Archetypes and straw men: the council of the future

When thinking about the future it is easier to work with ideal types and straightforward scenarios, safe in the knowledge that the *actual* future will be a hybrid of these or, indeed, something entirely different altogether. But with that caveat firmly in place, and building on the work of colleagues at Local Government Improvement and Development, a 'council of the future' typology might include the following (adapted from LGID, 2011):

- *The commissioning council*—where the council provides little or nothing itself, but commissions provision from a range of organizations across the independent and civil society sectors. It remains to be seen whether any authority is willing to take this model to its logical extreme and commission the commissioning process itself, retaining only the minimum strategic core and mechanisms necessary for democratic accountability. Essex County Council and Suffolk County Council are prime examples of taking a strategic commissioning focused approach to the whole council's

services, with the London Borough of Barnet the best-known example of a ‘commissioning the basics’ model (with residents paying for anything they want over and above this).

- *The co-operative council*—under this model, a council enters into a new kind of relationship with residents and service users who become equal partners in the design, commissioning and delivery of services, rather than simply recipients. Values such as co-production and mutualism are fundamental and, wherever possible, the council looks to hand over actual ownership of services to staff and/or service users, and/or local civil society organizations. Lambeth Council is the trailblazer here, and coined the ‘co-operative council’ tag.
- *The enterprising council*—where the local authority takes matters into its own hands, so to speak, and establishes a large trading company of which it is the majority—but rarely single—owner. This model has the advantage of boosting economies of scale without some of the perceived risks of more remote accountability for outcomes. Norfolk and Kent County Councils have made steps in this direction.
- *The decentralizing council*—the council that goes down this route is truly a brave one, as it would be giving up the vast majority of its powers to parish councils or the equivalent representative bodies (for example residents’ groups and forums) at closest proximity to local people themselves. As well as places like Wiltshire, which has developed area boards, other councils have devolved budgets to ward councillors, and there are groups actively seeking to extend the parish council to London, of all places, in the belief that they’re the perfect geographical scale for such a densely populated metropolis.
- *The collaborative council*—with ‘collaboration’ such a sine qua non of local public service today, let alone in the future, we probably need to stretch the limits of this type to make it truly future-focused. In the future one can imagine an extension of total place thinking and the current community budgets to encompass all services provided in a place. A single ‘public service board’, comprising elected representatives and (where power still resides nationally for some services) those with delegated authority, would make decisions about how to best meet the needs of local people. As yet, there’s

nowhere that has gone the full distance, although in Herefordshire and in some London boroughs there is close integration of management and service delivery structures across sectors and/or areas.

In the real world, each of the ‘types’ above are more like the dimensions against which councils will make choices, combining elements of all five. But they serve to provide a mental map of the terrain in which to explore employment and skills.

One thing is clear from this brief overview: local government in the future is not going to get any easier, and will likely be even more complex. A fundamental role of the local government employee of the future will be to manage tensions, trade-offs, unexpected outcomes and inconsistencies. In looking to ‘lock in’ such values as equity of access or personalization is the ability to achieve value for money reduced, for example? In the drive to locate commissioning as close to communities as possible does the process become too fragmented to resist provider dominance? Will more of a postcode lottery of service quality and outcomes be acceptable to residents and elected representatives?

Changing the very nature of employment?

As this overall context changes, so will the nature of local government employment itself. There is a spectrum of possibilities as to how these new models of local council deploy their staff. At the one end: single agencies, each with their own workforce, and interaction with partners restricted to bilateral or multi-lateral collaboration.

While less of a fundamental shift than other scenarios, there is a reason why effective cross-agency collaboration is hard to do and certainly hard to sustain: a request from your ‘own’ manager or chief executive will always triumph. In the context of fewer resources, this kind of collaboration both becomes more valuable and harder to achieve—as time becomes more precious: the ‘win’ is bigger, but so is the short-term cost (time away from what can feel like ‘the day job’).

Moving along the spectrum are co-located and co-managed teams. There are many examples of the former, but only a small number of the latter—outliers including community safety teams where council and police staff share management structures.

Co-location can bring efficiencies, but usually only works when the co-located teams already have a good deal in common. There is a great story—possibly apocryphal but nevertheless redolent—of a health and local authority care team sharing an office but having *very* clearly labelled separate kettles in the ‘shared’ kitchen (totemic of separate everything else).

At the very extreme end of the employment spectrum is the scenario where (almost) no-one works for the council any more. There are variants of this scenario: you could imagine a shared pool of public servants, perhaps employed by a local authority trading company or even an independent company, and with different agencies drawing down resource from this pool according to need, for fixed periods of time.

Or there is the widespread mutualism version (see figure 1), where employees work for companies providing local authority services that they themselves own. OPM’s research into the opportunities and challenges of mutual ownership of public services shows that the psychological impact of this change is huge, and that with employee ownership also comes the need for additional skills and ways of working (OPM, 2010).

Whatever the council workforce looks like in the future, one thing is for certain: performance management will—at least in the successful councils—be fundamentally different. The chief executives surveyed earlier this year were unanimous in suggesting that performance management would need to become more rigorous, robust and targeted, not only for those under-performing, but also to provide the right level of challenge and development for stars (Morales Oyarce and Kirkman, 2011). The notion of a ‘job for life’ will surely become a thing of the past.

The perfect council employee of the future

The employee who will thrive in the council of the future will be able to balance professional mastery with the capacity to see new perspectives arising out of the coming together and conflict of different bases of expertise. The demands of providing holistic services to residents with ever-more complex needs, joining up across traditional service boundaries while mining shrinking resources for every ounce of value will preclude the officer who is unwilling to move beyond his or her

professional silo.

But the perfect employee cannot be a content-light generalist: operating in an environment where strategic, outcomes-based commissioning is the main game in town will require an ability to, for

Figure 1. The potential and the possible pitfalls of widespread adoption of public sector mutuals.

There is widespread agreement that there should be an increase in employee, user and community ownership of public services. The coalition government has committed to supporting civil society organizations, including mutuals, social enterprises and charities, to take a greater role in public service delivery. To help achieve this, the Cabinet Office launched a first wave of ‘mutual pathfinders’—public services that are making the transition to shared ownership. OPM is providing guidance to three of the pathfinders, including children’s services in the London Borough of Hammersmith & Fulham and healthcare services for homeless people in Leicester.

We know from our own experience as a 100% employee-owned organization that the benefits of mutual and co-operative models are very real. But the options facing commissioners, managers, staff and service users considering a different model of ownership are far from simple, and the process of transition can be complex and challenging. That is why we undertook an extensive programme of research and development, resulting in two published reports, including one based on in-depth case studies with public services that have already gone down the road to mutualization, ranging from children’s services in Lambeth to leisure services in Oldham.

We found that, while getting the right ownership structure is important, even more vital is ensuring that the business model of the new organization is viable and that the new owners have the skills and expertise to make the experience rewarding rather than risky; making sure staff are engaged throughout the process of transfer; and building a new culture of ownership, supported by fit-for-purpose governance arrangements.

example:

- Commission, understand and interpret data.
- Maximize the potential of new technologies.
- Navigate a new web of legal ‘rights’ that frequently seem to conflict.

This balance of depth of expertise and breadth of perspective will be felt most keenly when it comes to one of the most crucial functions of the future manager: holding to account commissioned services. The point here is that these services will cover a far greater range, and in many cases be far more technical in nature than previously.

Senior managers in particular will have to act as intelligent clients of everything from IT to human resources and legal services, and in some cases outsourced commissioning services themselves, which will require a new and more sophisticated approach to things like managing risk, performance management and—in the era of payment by results—negotiating contracts.

The ability to collaborate meaningfully and purposively will continue to be key. When OPM was working with the Young Foundation and Common Purpose to deliver an ambitious programme of cross-sector development to more than 300 of London’s public service leaders (see figure 2), a central concept was that of a ‘second home’ for public servants: a place where you are able to operate just as comfortably as your natural organizational base. If developments such as community budgets gather momentum, then one of the biggest structural barriers to this kind of mobility may be eroded. But staff will continue to need the cultural and behavioural flexibility to navigate unfamiliar territory as a matter of course.

Over and above all of these, the perfect council employee of the future will be deeply familiar with, and naturally beholden to, the people that s/he serves: the area’s residents. The challenge that this represents cannot be overestimated. When speaking at a recent OPM seminar, a senior manager from a London borough council talked about how many of her officers were on the verge of terror at being asked to stand outside a tube station and talk to passersby about a new initiative. Although the ethos of public service runs very deep in local government, many officers are uncomfortable in coming into frequent and direct contact with the people they serve. In the future,

with open data, social media, communities able to challenge for the right to run services, and resources devolved to ever more local levels, this dynamic cannot persist.

Local authority staff will have to adapt to a workplace in which their decisions are routinely called into question, where others know more about a problem (and its solution) than they do, and where the only way to proceed is to talk things through. Issues and circumstances will change much more quickly as well, and staff will need to have the skills to be flexible, resilient and fleet of foot: adjusting their plans to meet changing agenda.

Figure 2. Developing skills and capacity to meet London's future strategic challenges: the London Collaborative programme.

Three years ago, OPM and partners began working with a network of public service leaders from across London to build capacity to meet the capital's future challenges: everything from improving energy efficiency through retrofitting to reducing long-term worklessness.

Then the recession intervened. In response, the focus of the London Collaborative programme switched to how local public agencies would need to change their relationships—with citizens, with Whitehall, and with their own staff—to maximize rapidly shrinking resources. Using a series of simulation workshops, we modelled a realistic near-future scenario and brought to bear concepts from the world of engineering and design to develop radical and innovative solutions.

One of the ideas to emerge from this process was the proposal to develop a London talent pool: developing and deploying multi-skilled managers and leaders who could work flexibly across geographical and organizational boundaries. Underpinning this model would be shared workforce planning focusing on functions rather than agencies, allowing centres of excellence to evolve around key strategic challenges and managers to become more peripatetic: naturally and fluidly 'loaned out' from one organization to the next, thus creating a network of knowledge and expertise and reducing the costs of employing external advisers.

The path to the future never runs smooth...

Achieving this kind of transformation in the local government workforce is going to be far from easy. The challenges are myriad, but three are worth highlighting:

- The cultural challenge of entrepreneurialism.
- The influence of elected members.
- The difficulties caused by the potentially random impact of current cuts.

Discussing their survey of chief executives Morales Oyarce and Kirkman (2011) said that: 'In the past, risk aversion has been encouraged, while entrepreneurialism and action without explicit approval have not. It is likely that future operating environments will require a more commercial mindset, with staff undertaking more commissioning activity and services taking on market competition to generate income'. On the face of it, this sounds very simple, straightforward and attractive. But the big question is whether councils are ready to accept the kind of behaviour that an army of entrepreneurs would be likely to engage in. As Andrew Cahn and Michael Clemence point out in a report for the Institute for Government: 'risk-free entrepreneurialism is truly an oxymoron...All opportunities come with risks attached, and entrepreneurs, whether public or private, show true skill in minimizing their impact' (Cahn and Clemence, 2011). Although Cahn and Clemence are focusing on the challenges facing Whitehall entrepreneurs, many of the same barriers also apply at the local government level. Hostile media attention, remuneration processes that do not encourage innovation, and pressure from politicians to implement more speedily and at greater scale than a truly entrepreneurial model would encourage are real and present dangers.

The second challenge relates to the capacity of the elected members of the future to play a supportive rather than an unnecessarily antagonistic role. From OPM's work with councils across the country we have seen that, in the best cases, councillors are able to adopt a crucial role as facilitators and enablers: bringing together fluid networks of local actors (residents, civil society organizations, businesspeople) to identify solutions to common

problems. But this requires a very real and very substantial shift in the modus operandi of elected members: from, crudely, berate an officer to befriend an officer.

Finally, on a really pragmatic level, there is the question of how much actual choice chief executives and other senior managers will have over the workforce they are left with once the current cuts have run their course. Jones *et al.* (2011) have pointed out that because of the impact of voluntary redundancies and leaving vacancies unfulfilled, many of these reductions will be random and the ‘cumulative effect of these changes could have unintended effects that reduce the effectiveness of the organization’.

Conclusion

The idea of working in local government in five or 10 years time is, on the one hand, a thrilling prospect, and on the other, a nightmare. How the council employee of today feels about it—whether excited or terrified—is probably a function of how senior they are (because this will determine how much influence they feel they have over the outcome), and how comfortable they feel dealing with change and uncertainty.

But attitudes are also certain to be influenced by the extent to which the leaders of the council in question are willing to follow through with the actions necessary to put the ‘our people are our biggest asset’ trope into practice.

Key ingredients include a clear, over-arching narrative about future direction and the part that staff play in achieving it, a demonstrated willingness to allow more risk-taking behaviour, and a commitment to pursuing necessary staff cuts in a structured, need-driven way rather than giving in to random inevitability. Without these, the local government sector is likely to see an even more devastating evisceration of talent than it is currently experiencing.

References

- Bungard, P. (2011), It is never too late to update your skills. *Local Government Chronicle* (6 January), p. 17.
- Cahn, A. and Clemence, M. (2011), *The Whitehall Entrepreneur: Oxymoron or Hidden Army?* (Institute for Government, London).
- Jones, G., Stewart, J. and Travers, T. (2011), Genuine localism—the

way out of the impasse. In Morales Oyarce, C. (Ed), *Redefining Local Government* (PMPA, London), p. 16.

Local Government Improvement and Development (2011), *Mapping New and Emerging Models* (London).

Morales Oyarce, C. (Ed) (2011), *Redefining Local Government* (PMPA, London).

Morales Oyarce, C. and Kirkman, E. (2011), Leadership and the courage to change in local government: interviews with local authority chief executives. In Morales Oyarce, C. (Ed), *Redefining Local Government* (PMPA, London).

OPM (2010), *New Models of Public Service Ownership*. See www.opm.co.uk/mutuals-ownership.html

Phillip Copestake is head of analytical studies at OPM, an independent research and development company working with public services to improve social outcomes. He specializes in supporting local authorities to use evidence and strategic insight to develop policy and practice, and is the author of a number of recent reports on the steps needed for public services to become employee-owned mutuals.

Paradigm change or business as usual? The need for a strategy

Sue Richards

Formerly University of Birmingham, Birmingham

Introduction

It was said before the last general election that Conservative leaders were avid readers of the memoirs of New Labour luminaries, particularly those of Tony Blair, eager to learn lessons which might prepare them for office. They would have done well to look at the white paper on *Excellence and Fairness*, published in June 2008 (Cabinet Office, 2008). Although it is not strongly associated with a particular prime minister, it does represent a crystallization of the lessons from 10 years of public service reform. First and foremost among its conclusions was that what the UK needed from its central state was strategic leadership not micro-management, and that therefore a very different approach to policy-making was required.

The age of austerity that we are now enduring provides a perfect opportunity to make a shift in the fundamental paradigm to which we have become accustomed. Will the paradigm shift promoted in the *Excellence and Fairness* white paper come about, will policy-making in future be more about strategic leadership and less about micro-management? ‘Never waste a good crisis’ was a phrase heard echoing round Whitehall a year ago, and the omens looked good for a move in the direction of strategic leadership.

Shrinking and decentralizing the state was independently in the manifestoes of both members of the coalition government, and together with the emerging narrative about the Big Society it seemed to be one of the most firmly-grounded elements in the coalition agreement. But a year later, and the results are clearly disappointing

with no clear sign of a paradigm shift and Whitehall functioning pretty much as usual. The new public service reform white paper (Cabinet Office, 2011) presents an overall narrative for change, but since we know that this government, more than its predecessors, is a collection of departments which are not firmly linked together into a corporate strategy, we can assume that the white paper will be mainly the work of units at the centre whose task it is to produce the words, rather than a determined action plan..

An unrealistic strategy for developing the UK's social capital, confusion between means and ends, and poor mastery of system design has left this key element of the coalition government's programme still on the starting block. If this were just any old policy perhaps this would not matter, but the Big Society is crucial in re-growing the eroded social capital which could reduce the need for high-cost state interventions and allow us to tackle complex problems at an appropriate and more cost-effective scale—a paradigm shift in public policy and the right way to tackle austerity.

The danger is that an unrealistic approach to decentralization, and the failure to grasp the public accountability aspects of this agenda, will result in a reversion to the default system of centralized Whitehall-based policy-making, leaving the government exactly where it did not want to be.

Decentralization

Most commentators agrees that the UK state had become over-centralized. Central directives can achieve some things (reduced waiting times in hospital accident & emergency departments, for example) but not others. An example here is solutions to cross-cutting social and economic problems, such as those being tackled under the Total Place programme initiated under the last government, which focused on pooling resources across service boundaries in order to achieve better outcomes for citizens at less cost. The narrative of decentralization with which both halves of the coalition government came to office promised much to those of us who have argued that stripping out power from the local level was counter-productive.

But, as always happens with a new government, it is now

surrounded by people who have made their careers doing things the way the previous government wanted. The world of policy is viewed by some through a technocratic lens, the nation seen as a giant laboratory to be experimented on, with ‘scientifically-grounded’ findings being rolled out as instructions to the rest of us. Professional Skills for Government, the civil service competency framework, had ‘analysis and use of evidence’ as one of its six key elements. There is nothing wrong with that in principle, but it all depends on what you mean by ‘analysis’ and ‘evidence’. What these things came to mean in practice was the result of quantitative surveys based on inadequate or un-surfaced conceptual frameworks. What it did not, and could not, include was the know-how, professional judgement and working knowledge of particular contexts possessed by the other five million people working for the public sector. The day-to-day support for the new government comes from people schooled in this way. A new strategy, which is not fully articulated, and a system which does not have relevant competency in sufficient quantity—this combination of factors spells trouble for achieving paradigm change.

Means and ends

While the two coalition parties differ somewhat in their support for democratic representation, both are agreed that enhanced social capital, both bonding and bridging, would be beneficial. The conservative side combines this view with a strong adherence to the value of markets and private sector expertise in delivering public services.

However, the current approach to decentralization is being undermined by what is *de facto* a higher order policy of marketization which will lead to greater centralization and failure to make headway in building the Big Society.

Is the Big Society more than a smokescreen to detoxify the legacy brand of unpopular privatization while enabling marketization to continue apace, or is it genuinely an attempt to revive the diminished social capital of our communities? Which comes first, if you have to choose between them? If it is primarily the former—no need to change the system through which policy is

developed, other than to decrease its scope through continuing privatization and contracting out. If it is to be the latter, then some major mistakes need to be rectified. A recent publication from INLOGOV, in a chapter written by two veterans of central–local relations, Professors George Jones and John Stewart, calls for the Localism Bill 2010–11 to be renamed the ‘Centralism Bill’, since that is a more accurate reflection of the power shift contained within it (Stewart and Jones, 2011). The Localism Bill assumes that local democratic institutions are a barrier to the growth of the Big Society, and sets about reining them in. But this does not take account of the public accountability default system, where final accountability for public money can be held only by elected bodies. Cutting out the local forces you back to the central, whatever might be your intention.

The prime minister’s own professional background, apart from politics, is in marketing and PR and, like most of us, he is most comfortable when surrounded by people like himself. The danger is that in continually focusing on managing the meaning—he has just done the fourth relaunch of the Big Society at the time of writing—he and his advisers will fail to grasp the reality of the strategic shift required to make it happen. Since the prime minister seems willing to take political risks by continuing with the idea of the Big Society, we must infer that this is his top priority and consider how well he is steering towards his goal.

Marketization and/or decentralization—the need for system design capability

The ultimate aim as expressed by the prime minister is a healthier Big Society, with improved social capital, engagement of voluntary action by citizens, and far less dependency on the state. This desirable end-state is also likely to provide a stronger foundation for economic growth and prosperity. But to move from the centralized state to a system based on a healthier civil society involves several problematic transitions. The issue is complex and multi-dimensional, and in such circumstances you do not get the results that you plan for. You have to understand the complex dynamic which lies beneath the surface and may produce surprising and unintended consequences. (Mittelton-Kelly, 2011).

Figure 1. State and non-state entities, centralized and decentralized.

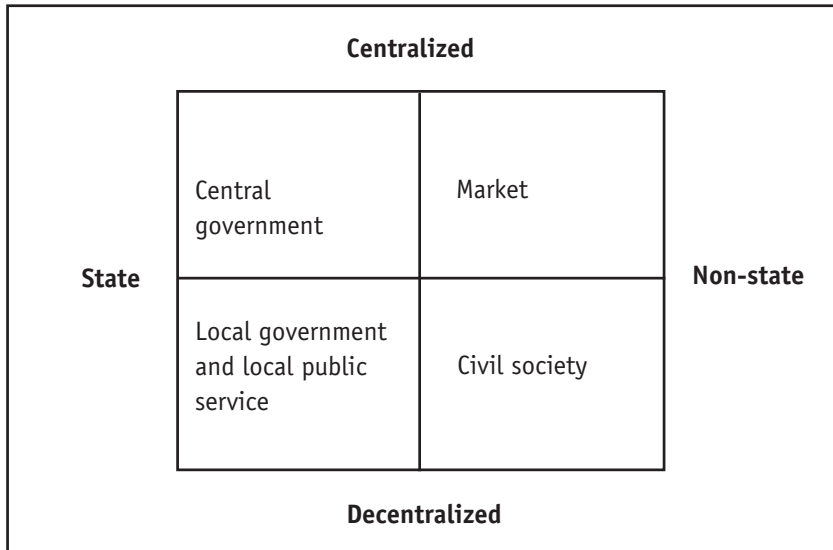


Figure 1 sets out the problem. There are several points to make about this.

Markets and centralization

There is nothing *intrinsically* centralized about markets, but here we are talking about markets called into being through the commissioning and procurement systems of central government. Experience with the last great marketization campaign, under the *Competing for Quality* white paper in the early 1990s (Cabinet Office, 1991) shows that, despite the intention that it should be otherwise, what resulted from that initiative was strategic contracting out to the big battalions of private providers. Government's immediate transaction costs are much lower if they package up the services to be marketized in large bundles. Ensuring that all of those who are given public sector contracts have a record of successful business is also seen as a means of minimizing the risk to the procurer. The chances are that marketization conducted by the civil service in the central state will be to other national and international organizations in the market sector.

Of the 40 prime contractors chosen by the Department for Work and Pensions to run the Work Programme, for example, only two came from the not-for-profit sector. While those prime contractors will seek to subcontract to the third sector, we wait to see whether shareholder value or public purpose will be the main driver of the action. Where contracts do go to social enterprise, these will likely be large national organizations which may be not-for-profit, but which otherwise might differ little from the equivalent for-profit organizations. Performance and management systems are likely to be near identical. Marketization is a way of pushing back the reach of the central state, but because of fundamental business drivers and also because of the scale of its operation it does not lead to greater social capital and a more engaged set of citizens.

The Big Society and issues of scale

Someone apparently once said ‘there is no such thing as society’. This contribution suggests that there is no such thing as the Big Society, only the many small societies. ‘Society’ is a term which works at the level of place or neighbourhood, where it is feasible for people to engage with each other face-to-face. SureStart localities, for example, were based on ‘pram-pushing distance’, close to the ground, building on networks of interaction which are the core of social capital. Civility depends on relationships and common identity. The Big Society is a collection of many small societies, where people who are on nodding acquaintance might go beyond that into joint action.

As any user of four-box matrix models knows, it is always easier to move across one box boundary rather than two. The most difficult journey to make is diagonally across the axes. The best way of reaching the civil society box in figure 1 is by going first to local government (and other local state actors), partnering with them to build local social capital and citizen involvement. Instead, the Localism Bill seeks to leapfrog over local authorities direct to the citizen, stripping out local government powers in the hope that the new citizen army will rise up and be empowered.

It is sad to see the reversal of the progress which had been made towards the end of the last government in getting Whitehall to

work together to facilitate effective place-based change (Richards and Hughes, forthcoming). Instead of that, we are reverting to a situation where the Department of Communities and Local Government operates only on its small patch of ground, unable to bring together the big departments of state like the Department for Education, Department of Health, the Ministry of Justice and the Home Office, each of which is pursuing different versions of decentralization which fail to make sense as a whole at locality level. Each of these government departments is looking at civil society through the lens of its own services, rather than putting themselves in the shoes of citizens who need to draw on all of their services.

Progressive local government sees itself not as an old-style service provider, protecting producer interests, but as the voice of its community and part of the leadership cadre for the place. Even if the government doubts that, it ought to be possible to frame funding for local government, schools, health, justice and the police in such a way that the local owners of those budgets were required to passport on to civil society organizations a proportion of that budget. This has been done before, as when local government social care was required to commission for a mixed economy of care. Again, while the best local public bodies do work together to achieve better results (Richards and Hughes, forthcoming), it ought to be possible to make it a requirement for bodies serving the same set of citizens to work in partnership.

There are many potential players in the local community who could be encouraged to play a greater part in civil society, but it seems unlikely that they can be mobilized from Whitehall, and much more likely that it is their neighbours who will motivate them if prompted to do so. So, Mr Cameron, think of local government with your glass half full and then you really might have a chance of reducing the role of the central state, and cutting it back so that it is more on a par with other similar nations, rather than being the world leader in centralized government that it had become.

Public accountability and system design

The government has now discovered that life is more complex than they thought it was going to be. They knew about living in the eye

of the media storm, they knew about the punishing lifestyle, they knew about the need to stick to their guns. But what a new government does not fully appreciate at first is the significance of the hard-wired factors in the system of public administration that will shape what they do. There are constitutional frameworks and institutionalized practices which constrain government action. It is a mistake to think that the absence of a written constitution in the UK means that we do not have a constitution.

Long-standing conventions about the stewardship of public money require that money which has been collected from us is overseen by a body chosen by us collectively, whether it be central or local government. Those bodies are held to account by us or our representatives for the stewardship they have exercised. No amount of transparency can substitute for holding accountable bodies to account. The frameworks through which they are held to account have a significant impact on how public officials behave.

Procurement rules have already been touched on in this contribution. It is no accident that procurement behaviour takes the form that it does, conforming both to formal rules and to accepted belief about what is appropriate. The same principles apply in grant-awarding. However much government ministers might like it to be the case that they can give public money with no strings attached to civil society groups, it is very hard to do so. Remove local government as an accountable body in the equation and ministers will find that as the only point where the stewardship buck stops, they will be accountable. In order to reduce the political risk to themselves, they will be forced into the kinds of performance framework they have so criticized, and be forced to sustain a Whitehall bureaucracy to run it.

Constitutional arrangements can be changed, but this takes time and care. It requires a depth of understanding about what would be needed to create genuine decentralization, and thus bring the UK into line with most developed nations, which has not so far been in evidence in the coalition. It is rather well-endowed with junior people who see this situation clearly, but the next generation is currently blocked by people who specialize in political clout, rather than insights into system design.

Conclusion

David Cameron deserves credit for enriching the discourse beyond the usual categories of state and market, and ensuring that we are all talking about civil society and the need to revitalize social capital. There is a very compelling argument that the highly centralized and silo-based public policy world which characterized the last decade was hugely wasteful of resources, and that more decentralization and partnership between local bodies would ensure that money was spent more cost-effectively. In an age of austerity, who better to decide on how to use the local pot of money than local people?

But making that happen in practice is not so easy. We know that the prime minister is good at managing the meaning, but does he know the meaning of management? Is he capable of overseeing a big idea all the way from bright idea to its implementation in a change culture, changed institutional practice and new expectations about how we do things around here? Can he find his way through and avoid the bear-traps that stand in the way of those who seek to make significant changes to how government works? He knows that he wishes to lead a system which is much more decentralized than in previous governments, but does not seem to have provided himself with the kind of strategic design capability that would enable the journey to be completed successfully.

References

- Cabinet Office (1991), *Competing for Quality*, Cm 1730 (HMSO, London).
- Cabinet Office (2008), *Excellence and Fairness: Achieving World Class Public Services* (HMSO, London).
- Cabinet Office (2011), *Open Public Services*, Cm 8145 (The Stationery Office, London).
- Mittelton-Kelly, E. (2010), in Goergen, M. *et al.* (Eds), *Corporate Governance and Complexity Theory* (Edward Elgar, Camberley).
- Richards, S. and Hughes, T. (forthcoming) in Bourgon, J. (Ed), *A New Synthesis: Serving in the 21st Century* (McGill-Queen's University Press, Montreal).
- Stewart, J. and Jones, G. (2011), in Raine, J. and Staite, C. (Eds), *The World Will Be Your Oyster* (Institute of Local Government Studies, Birmingham).

Sue Richards was formerly professor of public management at the University of Birmingham. She was a civil servant earlier in her career, and has also worked elsewhere in academia and in the private sector. She has performed a number of advisory roles in relation to public service, having been a special adviser to various parliamentary select committees, an Audit Commissioner and a member of the Advisory Board of the Office of Public Services Reform. She has written extensively on public service reform and on management and leadership development.

Why UK local government will beat austerity

David Kennedy*

Northampton Borough Council, Northampton

In January 2008, Northampton Borough Council started the process of fundamentally reviewing all of its services. Although the UK had already experienced some early signs of financial turbulence, it was still some time before the full extent of the banking problems faced by the nation came through. The purpose of what we referred to as a ‘strategic business review’ was not to carry out the usual best value type reviews, but to ask the questions that are at the core of any good business:

- Why are we doing what we’re doing?
- If it is right that we do it, would it be done better if we approached it differently?
- If so, what is the plan we need to deliver that improvement?

At the core of asking these questions in a local authority context is a desire to have a more effective local state that delivers more for the taxpayer’s money, and better meets the needs of those who depend on local services. Familiar themes of increased productivity and real value for money, reducing overheads and concentrating resources where they would have greatest effect were central to this programme. The authority showed a willingness to consider radical change.

The programme was not specifically designed for an era of austerity. However when, in late 2008, it was clear that the banking crisis was having effects which could be with us for many years, the

*The views of the author are individual and do not necessarily represent those of Northampton Borough Council.

response for Northampton BC was clear—accelerate this programme because it is needed more than ever, do not invent some new initiative. This preparedness and commitment meant that, in many ways, Northampton was better prepared for the challenge than some others. Not that Northampton’s journey has been straightforward or with perfect consequences. The council has, however, been able to make fundamental change while increasing productivity, getting better results and increasing employee, member and public confidence.

There is perhaps another story to tell about Northampton’s journey from being rated by the Audit Commission as a poorly-performing authority to one that is now regarded as among the most improved in the country and which aims to be one of the best in the next few years. But while that has been happening, the era of austerity has begun and presented some unique challenges. From that experience, I have a few personal observations to offer.

What is so different about austerity?

It is always imperative that public funds are used to best effect. This has never changed. If the argument were that public services only really address the need to be efficient or productive when the purse strings are tightened and resource constraints imposed, then surely these constraints should always be imposed? Quite the opposite, my experience of the best of local government is that good authorities are always committed to improvement and meeting the needs of the public better. In every local authority I have worked in, people have strived to achieve better value and better outcomes with resources that have never been able to meet raised expectations or aspirations. In times of relative plenty or relative drought, the leading local authorities have always shown passion for delivering more value to the taxpayer and citizen.

The current situation has, however, brought a bigger set of challenges than for some time, possibly ever. At first, it was the sudden drop in key income streams, such as development-related fees and interest receipts. Over time, it has developed into the deficit reduction plan and the diminution of taxpayer funds available to finance public services. Local authorities also have a key role to play in reducing the national deficit in their role in

welfare reform and, of course, have a major role to play in stimulating economic growth.

Of course this could make us all think about reduction strategies that are aimed at looking primarily at what service delivery we should cut to balance the budget. If anyone is still approaching the downturn in resources this way, I would be surprised. Most local authorities now know that the issue is not one simply of where do you find X% reductions to balance the budget, but actually how could you deliver as near 100% as possible (or probably more) with just 100-X% of the finance? This is not a new question. It is not dependent on austerity, although the new financial climate has made some people sit up and address that question more fundamentally than they did in times of relative plenty.

An era of austerity is therefore a spur to different thinking in those places where it is needed. It is not a prerequisite for action. For many people it is a sharper continuation of agendas for rethinking and redefining public services.

Of course austerity by its nature is also seen not as a short-term dip, but as likely to be abiding and thereby to represent a basic shift in the role that public services may be expected to perform and the finances available to it.

There is a world of difference between dealing with a large, but ultimately manageable, downturn in finance and dealing with cliff-edge finances. Some authorities are dealing not with austerity but with very serious and rapid financial shifts, and doing so in short order. Transitional arrangements have not been able to soften or mitigate the change as they did with previous less marked changes. Whether for some the question of medium to long-term sustainability will become an issue is, at the moment, just speculation but may come forward in time.

The future is local?

The localism agenda is still developing and this is not the place for a detailed discussion on the merits or otherwise of particular initiatives. But within the localism agenda, taken in its full immensity, there are some fundamental messages about the role of the local state in delivering public services and in managing communities in a time of

austerity.

Rightly, people may point to earlier initiatives, such as community asset transfer, that aimed to give local communities more control over some small elements of services and no doubt had greater ambitions. Again, one might debate to what extent the localist agenda is driven by austerity and how far by policy principles that have always existed. At the core of the localist agenda appears to be a redefinition of the relationship between the state and the individual. Localism is not about bolstering the role of local councils as direct service providers, but developing their role as champions of communities and promoters of citizenship. Of course it is about a lot more as well.

Austerity provides the environment within which, whether conducive to it or not, localism is expected to develop and, because of this, we can expect a particular type of localism to embed on the ground. While the public will suspect that communities are being asked to take responsibility for a service simply so that costs can be reduced, this does not mean that community ownership and delivery may not be better than delivery from the town hall. If the choice is between enabling a community organization to take on a service or closing the service down, is this not a stronger policy option because of austerity that it may have been before?

Unfortunately, because localism is developing during austerity, its growth may be stunted. Many readers will be able to think of communities where the capacity to take on service roles is low. Even in well-organized communities, resilience over time will be an issue. Achieving benefits from localism will need change in the way public organizations work with communities and investment, including finance, in supporting this change.

Localism also requires a shift in public thinking, and in communities with well-embedded dependency cultures the ambassadors of localism have their work cut out to enable effective local management and control of services. Many of us want these communities to develop that ability—I personally can imagine little that I would like to see more than the most deprived communities taking on their own future and making a success of it. However, for this to happen, the support that will be needed along the way must not be underestimated.

Time to get real

For the many who work every day to make public services better, it is easy to get downtrodden by the inadequacies and inefficiencies they see around them and to feel that while some have woken up to the realities of the current era, many have still to get real about the fundamental change that has taken place.

If any senior civil servant or politician wants to know how to make public sector organizations more efficient and productive, they could do a lot worse than look at what local authorities have achieved in efficiencies in the past decade or more and begin to think about how local government can take on the delivery of services currently driven through centrally-directed agencies.

There are those in local government who want to go back to the days of nearly every public service being delivered by the council. Those days really did exist and one might wonder whether the nationalization of many services previously delivered through councils was a glowing success, although, undoubtedly, some benefited from economies of scale.

However, the current level of duplication of bureaucracy and management and workforces at local level must surely be unaffordable in a time of austerity. Strategies to reduce costs among many Whitehall departments and their agencies seem to have been focused on reducing costs at the front of house, rather than addressing complexity and duplication in management and bureaucracy. The same of course could be said of some parts of local government, but many are open to much wider sharing of activities at local level and more active real support from national agencies could add to this benefit.

If you are unemployed in a community such as Northampton, you visit many different agencies for advice, support and guidance. Not just the local councils in their many forms, but also central government agencies and community and voluntary sector bodies. In turn, these bodies make considerable efforts to ensure that they signpost each other and act as the gateway for each other. However, you will have many forms to fill in, procedures to complete, and no matter how much extra resource the public agencies put in to trying to treat you in a coherent manner you probably won't feel it works to your advantage.

Each of these agencies is facing reduced finance and I do not belittle those challenges to them, but is there a way to reduce overheads by combining with local service providers, or at least how they jointly interact with the individual rather than bolstering the position of different agencies? For example why can't the local tax office, the driver vehicle licensing office etc. be delivered together by the local council under unified management? Small steps have been taken in this direction and locally we are looking at new ways to develop this in the future, but can we all go much further in combining to support those impacted on by austerity?

If that is one example of what might be termed a 'get real' approach, it is only one. Far too much that involves substantial overhead costs is filed in the 'too-difficult' box, whether by central or local agencies. Dogmatic approaches to what is an acceptable cost should not be right at any time, but in a period of austerity there needs to be a firmer grip on why large overheads are sometimes considered acceptable when cheaper and better options are available.

Austerity needs leadership

Local government is all about leadership. Leadership that listens, is accountable, and delivers on the issues that matter locally. Again, nothing new. But the challenges of leadership become even more onerous in a time of austerity.

No local leader should just be happy to balance the books and keep them balanced until austerity ends. Every community needs to be able to meet austerity head on and find their future in a new and different world. The tectonic plates have shifted and all local leaders should not be sitting still and waiting for the tremors to stop.

Leadership in the current period of austerity is also being redefined. A greater emphasis is being placed on local leaders being able to stimulate localism and on being able to convince communities to be in favour of things that maybe in times of relative plenty they might have been more against. Whatever development or growth we are talking about, some of the demands of getting the economy growing again and therefore out of austerity represent challenges that a community may not want and may not be willing to be led towards.

An era of austerity will lend itself to leadership which is open, frank but also listens. In times of difficulty, leadership which is

grounded in local realities will be ever more important to success and the ability for local areas to compete for the scarce investment available to them.

Do we have the skills?

Whatever my academic grounding, I do not believe that being able to make ever more refined and intellectually defensible public policy is the key to effective public services or local government. Indeed, I think the tendency to focus too little on deliverability and on the ability to implement are major concerns and weaknesses in our public governance as a nation.

The public want action to address how to enable change and begin to neutralize or mitigate the effects of austerity. To do this we need to look at the skill base of the public service and value more those with proven track records of delivery, and develop in the next generation of leaders the ability to *do* above the ability to *consider*. The era of powerful individuals spending their days striding up and down the corridors of power has gone. The public service needs people who deliver and can manage real delivery to tight schedules and budgets at the head of loyal and committed teams.

Various scholarly papers have tried to move thinking in this direction over the years and there have certainly been big changes in my time. The current period of austerity is pushing the public service towards much more focused leaders with the skills to deliver and the ability to take measured risks. The day of the local government social entrepreneur may at last be upon us, and not before time.

Reasons to be cheerful

Challenge liberates innovation. This does not justify any national or local financial position. However, the constant demand to do more for less, exacerbated substantially by the era of austerity, is already stimulating new ideas and ways forward in face of the biggest challenges for generations.

It is not part of my brief to enumerate the many risks that any austerity package, or the pace of financial reductions, poses. Some places are undoubtedly in more difficult positions that I am aware of or would be able to manage personally. However, there should be immense confidence in local government and the people who make it

what it is because of the sector's track record of innovation and of delivering change. A former local authority chief executive told me that the issue at stake in the early 1980s was the survival of local government. In the intervening years local government has changed. Overall, it is for the better in my view.

We face very difficult times for various reasons. It is natural to believe that the task is beyond us, but it is not. Local government has demonstrated its ability to adjust to new contexts and meet new and fundamental challenges over many years and will do in this era as well.

David Kennedy is chief executive of Northampton Borough Council, and was previously deputy chief executive of Barnsley Metropolitan Borough Council, chief executive of Gedling Borough Council, and has held positions at three other local authorities.

The Public Management and Policy Association (PMPA)

The PMPA stands for the highest standard of public management and policy, developed within a framework of vibrant democratic governance, in order to deliver the very best public services to the citizens of the UK. The PMPA promotes these values by:

- Encouraging public managers and policy-makers from across all sectors to share their experience, to reflect and to learn together in order to improve public services.
- Supporting the exchange of ideas and information between academics and practitioners in order to improve public policy and public management.
- Promoting study and research into public administration, public policy and public management in order to deliver continuous improvement.

PMPA activities

The PMPA delivers these objectives by developing communities of public service managers, academics, policy-makers, commentators and those with an interest in public services; by continually seeking opportunities to bring these communities together to reflect; and by using its voice to influence the debate. It facilitates programmes of discussions, debates and lectures, publications and other opportunities for these communities to come together. It supports organizations seeking to equip their future leaders to lead the delivery of high-quality public services in the complex, diverse and integrated world of the future.

For more information visit www.cipfa.org.uk/pmpa/ or contact Deirdre Noonan (deirdre.noonan@cipfa.org.uk/020 7543 5679).

The PMPA promotes the value of public management and public policy and brings people together to learn and deliver better public services. For more information regarding membership and PMPA events and publications, email info.pmpa@cipfa.org.uk, or visit our website www.cipfa.org.uk/pmpa/