CIPFA

STRATEGIC BUSINESS MANAGEMENT

Final Test of Professional Competence

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From 10.00am to 1.00pm
plus ten minutes reading time from 9.50am to 10.00am

Instructions to candidates

*Answer **four** questions in total. **Two** questions from **Section A**, and **two** questions from **Section B.** The marks available for each question are shown in italics in the right-hand margin.*

Where a question asks for a specific format or style, such as a letter, report or layout of accounts, marks will be awarded for presentation and written communication.

At the end of the examination, students should append their sheet of A4 notes to their exam script. Students failing to do this will automatically be deemed to have failed this assessment.

Operating Codes in the Emerging System of Local Governance: From 'Top-Down State' to 'Disciplined Pluralism'? (Chris Painter, Public Money and management V25n2, April 2005, Page 89)

And

Once more into the breach (Kathryn Hudson, Public Finance, September 2-8 2005)

PRE–SEEN MATERIAL

Article 1

Operating Codes in the Emerging System of Local Governance: From 'Top-Down State' to 'Disciplined Pluralism'?

Chris Painter

By focusing on the intentional interventions of recent governments, many accounts of UK local governance have under-estimated the significance of evolutionary local institutional change. This article corrects that imbalance. Following an exploration of ideas associated with the 'adaptive state', the article considers the relevance of the concept of 'disciplined pluralism' to an appropriate rebalancing of the legitimate interests of the different stakeholders in local public services. The author also examines the fundamental issue of the desirable future operating code for managing local institutional innovation.

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Referring to 'the emerging system of local governance' in the UK, Stoker (2004) has examined the on-going dynamic of change brought about by the 'intentional interventions' of the Conservative and New Labour governments over the past 25 years, a process he distinguishes from accidental or evolutionary change. The consequence of this sustained period of externally-imposed change has been to create a more complex set of local institutions and actors. One of the associated issues is whether local government can provide an effective local steering or 'community leadership' role in this environment; whether it will become only one of a multiplicity of local actors; or whether it will be progressively marginalized. New Labour was adamant that local government needed to be 'modernized' to improve its capacity for providing effective local leadership, requiring as it did a facilitative rather than commanding style and an enhanced capability to steer across organizational boundaries. Yet, at the same time, Stoker observes how New Labour had only limited faith in local government's ability to reform and to be instrumental in promoting 'networked community governance'. This explains New Labour's tendency to challenge and experiment with local governance. Indeed, he has depicted the approach of the current Government towards devolved governance as 'incoherence with a purpose': 'New Labour's policies aimed at the devolved units of England are in part deliberately designed to be a muddle in order to both search for the right reform formula and create a dynamic for change by creating instability' (Stoker, 2002, p. 418).

The realities look rather different from a local government-centric as opposed to a New Labour-centric vantage point. Stewart (2003) agrees that, ostensibly committed to strengthening local government, New Labour were deeply suspicious of its track record, believing that many councils had not risen to the challenge of a changing society. The assumption therefore was that excellent local authorities were the exception rather than the rule. However, Stewart argues that assumptions reflecting élite contempt for local government are wrong: 'the Government failed to recognize the extent to which the themes of the modernization programme were already of concern to many in local government. Far from past cultures being unchanged, local government had been and is a significantly changing institution [yet] the Government's approach to implementation assumed change had to be imposed on reluctant local authorities' (Stewart, 2003, pp. 248–249). Many councils aspired to a community leadership role. Often overlooked was the extent to which Whitehall had failed to address its own traditional ways of working, notably the barriers to change presented by a culture grounded in departmentalism. The nettle of civil service reform, shifting the focus from policy advice to delivery with all that this implies for working across traditional departmental silos, remains to be grasped.

The problem with this alternative perspective is its very local government-centredness. We are back to the issue of how local government does and should fit into the wider local governance institutional environment. This article focuses on the evolutionary change perspective to redress the balance of the more top-down perspectives on local institutional change, given the mounting evidence of local structural variability (Painter *et al*., 2003). Not only are local authorities more dynamic institutions than implied in the top-down model, they are increasingly embedded in wider local institutional inter-relationships. Moreover, insofar as central interventions have been (wittingly or unwittingly) destabilizing, local institutional effects can be unpredictable, unleashing forces the direction of which can only partially be steered. Indeed, top-down reform is often accompanied by unintended or unforeseen outcomes, institutionally or otherwise, because of local mediating influences and intervening variables (Pollitt and Bouckaert, 2004). It is not a process of mechanistic transmission. Thus, the evolutionary perspective renders local institutional variability much more explicable. The ultimate objective of the article, however, is to address the issue of the appropriate operating code for managing local institutional innovation, given the temptations for the political pendulum to swing from excessive central prescription to a form of decentralized 'license'. The merits in this context of Kay's (2003) concept of disciplined pluralism will be particularly evaluated.

Local Government in its Wider Institutional Setting

Interviews conducted with chief executive officers (CEOs) and directors of corporate services from West Midlands local authorities during the course of 2001 (Painter *et al*., 2003) indicated that the major challenges presented in managing across organizational boundaries were increasingly being recognized, especially the need to mobilize resources from an array of local agencies. This had been reflected in the changing role of CEOs. Brokering with outside organizations accounted for a greater proportion of their time. Noting the potential of e-government for dissolving organizational boundaries, by engendering a culture of co-operation across agencies partnership itself created opportunities for re-engineering local services (more joined-up, flexible delivery). As the new political management structures settle down in local authorities, there are inevitably repercussions for CEOs' leadership role, notably in the small minority of councils with directly-elected executive mayors, where a new and distinctive politics is emerging (Parker, 2003a). It is a political innovation, moreover, with interesting implications for community leadership, as mayors begin to think of themselves as leaders of their area not just as council leaders, forging new relationships with local partners (Corry and Randle, 2004; Randle, 2004a, 2004b).

Community planning underpinned by local strategic partnerships (LSPs) provided, moreover, an opportunity for linking together the activities of different agencies into a strategic partnership vision and a more coherent framework for joint working. However, there were continuing difficulties in engaging the private, voluntary and community sectors (the latter because of resource and capacity-building issues). Also, precisely how LSPs fit into the wider local governance structures, whether they are the route to 'meta-governance' or will just superimpose another institutional layer, remains to be seen. Nonetheless, many of the interviewees in the West Midlands local authorities were adamant that the push for greater organizational flexibility and strengthened external relationships reflected locally-led initiatives, in response to pressures in local government's own operating environment, not just an accommodation of the modernizing agenda. It was therefore an over-simplification to see reforms as merely a reaction to central pressures and demands. The reality is that both these drivers of change are important explanatory variables, their respective importance dependent upon local contingencies and organizational cultures. But central government departmentalism and earmarked funding streams were seen as one of the biggest impediments to local government's capacity to develop and change.

A parallel and subsequent set of interviews with CEOs in local authorities in Yorkshire during 2002, undertaken for purposes of comparison, produced strikingly similar findings. For some, LSPs were just a reshaped brand for things they had been doing for quite a while; LSPs were therefore able to draw upon operating prototypes. As one CEO put it, commenting on government papers on LSPs, 'they did try and learn from a number of areas…where these partnerships were up and running and had been operating successfully'. However, not only were there capacity problems affecting the involvement of the voluntary sector, business was still often unwilling to fully engage at this strategic level. It was also a paradigm that continued to present problems of adaptation in attitude, especially for those authorities that wanted to be the single most important or even dominant player in any partnership relationship. In addition, some council members were not used to external engagement.

The increased interface with the outside environment was undeniable. As in the West Midlands authorities, the contribution of the CEO had generally become more important in representing the council to various external parties. Typical was the observation of a CEO who saw his role as 'providing management leadership in the organization and to work with members at the council but…crucially [also with] other partners…to improve the well-being of the city'. Local authorities were becoming more amenable to different ways of discharging their responsibilities. There was greater awareness of the need to adopt a more strategic approach, operating in enabling and facilitating mode, harnessing resources that could be tapped from whatever source rather than focusing exclusively on the internal management of the organization. It was a matter of working out where councils fitted into the bigger picture during what had been a difficult period of transition. Local public bodies were also trying hard to work together constructively, with more joint planning and pooling of budgets, arrangements that ironically sometimes proved to be more effective than relations between a council's own departments and its internal workings!

A similar message of Whitehall dysfunctionalism also emerged. Secretaries of state were reluctant to give up their territory, perpetuating the same old turf wars. Despite an expectation of local 'joined-upness', local authorities still had to answer to several secretaries of state. Consequently, local government felt it was better at integrated working than the centre, with departmentalism even more pronounced in Whitehall. There were the familiar refrains about fragmentation being exacerbated by the multiplicity of central initiatives and ring-fenced funding—all a manifestation of increased micro-management by and enhanced accountability to central government.

Evolving Local Governance Structures

There is now a huge variety in local government institutional environments. The Yorkshire interviews indicated that for some councils organizational innovations, such as the creation of separate partnership boards, often attributable to Best Value reviews, were potentially more dramatic in their implications than the new political management structures. Partnerships have many forms, with varying degrees of formality, including contractual relationships, trusts and jointly-managed services. This greater diversity has its downside for some seasoned local government observers, causing even greater 'fragmentation as different activities are conducted under different arrangements with different partners [and] as the number and variety of relationships grow' (Stewart, 2003, p. 152). But one person's fragmentation is another person's creative innovation, with institutional variation allowing organizational contours to be tailored to the needs of particular localities.

This variety partly reflects the effect of the centrally-funded earmarked programmes, impacting differently in various parts of the country, as well the consequences of comprehensive performance assessments (CPAs) where the rankings of local authorities have implications for varying freedoms and flexibilities (not to mention the increasing territorial differentiation now arising from devolved structures in Greater London, Scotland and Wales). There is, in addition, increasing local institutional divergence in mainstream service provision, with an increasing variety of outsourced agents and networked partners, as well as experiments with new organizational forms. Some more flesh needs to be put on this argument.

The variety of government-funded programmes launched by New Labour applying only in certain parts of the country, the so-called area-based initiatives (ABIs), is well-trodden ground, especially those programmes aimed at social exclusion, such as Sure Start, the flagship regeneration programme New Deal for Communities (NDC) (operating in 39 areas across England) and Neighbourhood Renewal (operating in the 88 most deprived local authority communities) (see Benjamin, 2002). In NDC areas, local residents have been able to elect specially-created neighbourhood boards, albeit often dogged by community infighting, raising issues of community support, training and capacity, and with an unresolved tension between fulfilling government targets and community empowerment (Toynbee, 2003). This has prompted fears that the whole idea of community-led urban regeneration will be irreparably damaged. The perverse effects of separate multiple funding streams has recently set in motion a contrary trend towards abolition or rationalization of special programmes, though mainstreaming such initiatives often proves problematic. And mainstream local service provision has become subject to more organizational instability.

A prime example is the interface of local social services with other local services, most recently highlighted by child protection issues. Organizational responses have included combining of education and social services departments (internal departmental integration); multi-disciplinary service hubs (local networks); and piloting of local commissioning children's trusts. The 2004 Children's Act, designed to promote integrated working and sharpen accountability, obliges top-tier local authorities in England to appoint a director of children's services (DCS) with statutory responsibility for both education and children's social services. They are also expected by 2008, along with primary care trusts and others, to pool their budgets in children's trusts. But variations are already emerging in the precise remits of the DCS posts in the new structures and pathfinder's children's trusts have also highlighted differing approaches to more integrated services. Therefore, a variety of local solutions are likely to continue, rather than a single, prescribed organizational model.

There are also examples of joint social services and primary care trust directors (now commanding 75% of the NHS budget) being appointed, further demonstrating the gathering trend to cross the organizational boundary between health and social care. It is a development manifest, moreover, in the creation of new care trusts. This reconfiguration of local health and social care services has, however, been pursued through a variety of organizational options, involving formal structural integration but also the adoption of other forms of partnership/joint working arrangements. Such partnership arrangements have sometimes foundered, including dismantling of joint management structures, so it has been a troubled as well as unstable boundary. This merely serves to underline the extent of local institutional innovation and experiment (see Snape and Taylor, 2004).

The variety of different organizational structures for the provision of local education authority (LEA) services is equally striking, including a multiplicity of outsourcing arrangements with private educational companies and other contractors. Bradford contracted-out the majority of its LEA functions, albeit with a school improvement

partnership board set up to provide support for Education Bradford, the guise under

which a private company (Serco) operates in the city. Hackney's contract for school improvement services was transferred to a not-for-profit company in 2002. Haringey outsourced its strategic management functions, as did Swindon. Islington outsourced all its LEA services, while Leeds established a not-for-profit company wholly owned by the council but with an education board of mixed composition. Southwark outsourced most education functions only for the company concerned subsequently to pull out of its contract. Walsall outsourced strategic management, school improvement and other services. Lincolnshire outsourced back office services and entered into a partnership arrangement for school improvement services, East Sussex its school improvement services, and Waltham Forest the majority of its education services. Not only have different organizational structures been brought into play in these examples, but there is also variation in the range of services subject to outsourcing and/or partnership arrangements. In many cases, the local authority has been obliged to act in response to adverse Ofsted inspections and related central government intervention. But elsewhere the council has acted of its own volition, as in the case of Surrey's decision to enter into a partnership with a private company to provide the county's education support and advisory services.

The same variable pattern is evident in housing and urban renewal. Hence the different organizational options for managing and maintaining council housing stock—continuing to use the traditional housing department, transferring stock to not-for-profit landlords (housing associations and social housing companies), or setting up arm's-length management organizations (leaving councils owning housing stock while ceding day-to-day management responsibility) (see Weaver, 2004). Housing market renewal area pathfinders are being created in the north of England and the Midlands as part of a pilot scheme to turn around neighbourhoods blighted by abandonment, low demand and collapsing property markets, designated areas for these pathfinders transcending council boundaries. The urban development corporation is being revived as an administrative model to regenerate the 'Thames Gateway' in Thurrock and East London. Yet, planned expansion of Milton Keynes will be overseen by a new urban development board rather than by a full-blown development corporation.

One notable development is the increasing partiality being shown towards not-for-profit self-governing social enterprises or public interest companies (sometimes referred to as the 'new mutualism') as an organizational vehicle for delivering public services, with foundation hospitals providing a pointer. Such entities combine the social responsibility of the public sector with the entrepreneurial flexibilities of the private sector and providing the wherewithal to more effectively involve stakeholders (citizens, service users and staff) (see Parker, 2003b). This is adding yet another dimension to a spectrum of organizational options available, including mainstream local authority provision (with examples of 'recouncilized' services following earlier outsourcing), council-owned companies, joint ventures, contractorization and privately financed initiatives. Some councils are also vigorously pursuing their own 'localization' agenda. Birmingham City Council has created a parliamentary constituency governance framework, the hallmark of which is eleven neighbourhood administrations or mini-councils, with constituency committees exercising powers delegated from the executive cabinet since summer 2003 (see Walker, 2003).

The New Localism

The new local institutional variety is partly attributable, of course, to central initiatives and interventions. Yet, much of it also reflects local institutional dynamics, as such more in accordance with the evolutionary model of change. Nonetheless, a prevailing perspective on public service reform is the 'top-down' one, though there are different accounts of the predominant characteristics of New Labour's modernizing reform project (Perri 6 and Peck, 2004). For Stewart, a problem about the way in which the

modernization programme has been implemented is its dependence on a command-and-control mentality. He views this as a flawed approach to the management of change

which, instead of relying on over-prescription, over-inspection and over-regulation, should revolve around shared learning (Stewart, 2003, p. 247).

Stoker (2004) agrees that, initially at least, New Labour operated very much in top-down mode. He notes the evidence, however, of a 'different rhythm' developing from the centre as New Labour recoils from detailed micro-management, a rebalancing process encapsulated by such terms as 'constrained discretion', 'earned autonomy' and 'steering centralism'. Stoker contends that this does not represent a fundamental departure from the centralist mindset and he is not convinced that weaker rather than stronger versions of the 'new localism' will overcome the pathologies of the cruder command-and-control paradigm.

Even the weaker variant of new localism is diluted when Ministers ostensibly committed to more decentralization continue to issue edicts as part of what appears to be an entrenched centralist culture (Hetherington, 2003). The regime of control, inspection and monitoring lingers on—and not just for poorly-performing local authorities. The promised new freedoms and flexibilities introduced under the Local Government Act 2003, especially for those councils performing well in the CPAs, only appear to be occurring at the margins, with some recent developments seemingly retrograde steps. The new localism sounds rather hollow alongside the determination of the DfES to ring-fence local education spending, or of the Home Office to do likewise with funding for community support officers in response to public demand for higher visibility policing. The Government is also using reserve powers to cap council budgets to stem council tax rises, even against authorities achieving higher ratings in the CPAs contrary to earlier promises, a sanction applied to a small number of English authorities in 2004–05, with others potentially in the frame for 2005–06. It remains to be seen, when it reports in 2005, whether the further consideration by the Lyons inquiry of the reform options looked at during the Raynsford review of the balance of funding between central and local government adheres broadly to the current structure of revenue-raising powers. Meanwhile there has been a concession of three-year local authority budgets to allow forward financial planning. A willingness to accept at least some limited experimentation in superseding ring-fenced grants with greater budgetary flexibility is also emerging. But, for Stewart (2003), the lack of any real progress in strengthening local financial accountability is a major omission from the local government modernization programme.

This scepticism about whether promises of even modest additional freedoms, at least for high-performing local authorities, would be fulfilled is reflected in the interviews conducted with Yorkshire councils. While negotiation of local public service agreements was regarded as a positive experience because of the active involvement in discussions with central government that this entailed, driven by the Treasury and the Office of the Deputy Prime Minister (ODPM) there was mixed enthusiasm for the process from other departments of state. The reality was that there is an on-going struggle within central government between the centralizing and decentralizing forces. With no permanent equilibrium between these forces, nor was there any corresponding consistency of policy direction. The jury was therefore still out on how serious the Government is about a 'lighter touch'. Reconciling national imperatives enshrined in tightly-prescribed performance indicators with horizontally-driven local objectives, especially as service responsibilities that lay outside local government were more prone to a command-and-control mindset, remained a fundamental dilemma; even education and social services were perceived as having become quasi-national services with detailed government guidelines on delivery targets and spend. The lack of trust was still the overwhelming impression gleaned from the interviews, though some of the respondents did accept that local government had, to an extent, brought this state of affairs upon itself through its inward-looking and self-serving culture. As New Labour Blairites flesh out the new

localism agenda with an eye on the third-term manifesto, it is therefore interesting to try to read the runes about the role that is envisaged for local councils.

One way forward is more direct user and stakeholder involvement in particular service sectors. The prototype is the foundation hospital trusts, organizing elections for their own governance bodies including patient and public governors. In the next stage of its NHS reform programme, the Government wants a substantial transfer of control to local service providers, foundation hospitals as well as local primary care trusts providing the key institutional architecture in this plan. This is to proceed alongside greater patient choice from a wider range of health service providers to drive up service standards and quality. It is even advocated in some quarters that choice of local authority service providers should become an integral part of this agenda. Greater voice through community empowerment is another future reform thread being canvassed. The Home Secretary's plans unveiled in November 2004 for dedicated neighbourhood policing along with greater community engagement in identifying those problems which should be prioritized, underpinned by better information on comparative policing performance at the most localized level possible, fall into this category.

There is a tension in the precedence to be given to individual and collective choices, both also having to be reconciled with continuing emphasis on national service frameworks or 'core standards' (Walker, 2004). Moreover, none of this suggests a future local governance that will have local government at its heart—especially given the tendency to grant micro-institutions greater autonomy, with local authorities at best becoming little more than a conduit through which funds are channelled, conspicuously so in the case of state schools (creating ambiguities about their future role in this sphere at a time of upheaval in the interface between education and children's social services). The emphasis, instead, seems to be more on single-service elected bodies, the 'new mutualism', or community neighbourhood governance which is clearly rising up the list of Ministerial priorities. Indeed, the loss of the elected regional assembly referendum in north east England in November 2004 is likely to give Downing Street even greater control over the new localist agenda at the expense of the ODPM. There are, of course, examples to the contrary, with local authorities to take on the expansion of children's centres and plans for additional powers to be assigned them in public transport regulation/spending generally, school transport specifically, and in tackling environmental nuisances and anti-social behaviour. As part of the endeavour to reinforce local democratic accountability for community safety, the advocacy role of local councillors and their right to trigger action on the part of the police and other agencies, when there are persistent problems to which local communities are unable to secure an effective response, are also being examined. Moreover, it is envisaged that councils with high performance ratings will again be permitted to become involved in the social and private housing markets. In fact some new powers are regarded very much as a poisoned chalice, assumption of responsibility for the newly-liberalized alcohol licensing laws a case in point.

Critics maintain there is an important distinction between the governance of individual local services and how things are joined up at the local level, emphasizing the limitations of sectoral (as well as neighbourhood) approaches to reform: 'At the core of any successful local governance system must be a directly-elected body—a local council—with responsibilities that span a number of different service areas. But it must be a reinvigorated and enabling council' (Corry, 2004). Those who are less local government-centric argue, however, for a more pluralist model of local institutional co-operation and co-ordination, refuting the contention that this is necessarily a recipe for fragmentary chaos.

Institutional Complexity and the Adaptive State

The centrally-prescriptive model, over-simplistic as it is as an account of the dynamics of recent change processes, will no longer serve as a normative operating code for conducting relationships with local institutions. The managing complexity paradigm indicates why such an approach is likely to be fundamentally flawed and also why, indeed, there has been more local institutional innovation than the caricature of top-down imposed change would have us believe. The problem is that the desire to 'drive and control…change through ordered programmes of development…refuses to acknowledge the…ambiguous, unpredictable characteristics of present-day society' (Bryant, 2003, p. 3). Managing complexity therefore places a premium on learning, making a virtue of variety and creative tension, emphasizing the importance of facilitating and listening rather than controlling and commanding. It is the opposite of the mechanistic compliance mindset, depicting organizations as complex adaptive systems evolving through a process more akin to continuous improvement than the logic of predetermined targets (Chapman, 2002; Haynes, 2003).

There is the related concept of the 'adaptive state' (Bentley and Wilsdon, 2003) in which innovation is promulgated among networks of peers rather than up and down hierarchies. Associated leeway is given to those closest to the point of service delivery, with changes tested through a process of open exchange, a corollary of learning being an acceptance that failures will occur. Once again, centrally prescribed targets and command-and-control structures give way to modes of public service delivery able to take account of complexity, diversity, flux and unpredictability. Information technology provides the supportive infrastructure for the knowledge transfer that is at the core of this vision of the adaptive state.

The interviews conducted in the West Midlands local authorities (Painter *et al*., 2003), demonstrated an appreciation of how new technology might be harnessed as a transformational tool to bring about more seamless working, empowering front-line staff with the informational resources for responsive customer service. However, the process re-engineering necessary to transform service delivery was still in its infancy. One of the main problems in implementing e-government has been the slow recognition by local authorities of the need to integrate it in their wider corporate objectives, seen as a discrete initiative rather than something central to a more fundamental change programme. The exploitation of new technology is now becoming more firmly embedded in the mainstream of council policy, partly incentivized by the increasing importance given to technology issues in the Audit Commission's CPA process. It does not follow, however, that local authorities are taking sufficient advantage of new workflow technologies; the integrating potential of electronic networks; the process re-design possibilities of customer relationship management systems (providing an holistic view of the organization's customer relations); or knowledge management systems that can dramatically improve service delivery as well as the effectiveness with which resources are allocated. Indeed, rather than embracing fundamentally different ways of working, the tendency has been to graft new electronic channels onto existing bureaucratic processes, functioning within the confines of established organizational contours and duplicating traditional channels for transacting business.

The next big challenge, therefore, is moving on from 'mild' to 'strong' forms of e-government requiring more fundamental process re-thinking of the service delivery infrastructure. Pioneering local authorities like Birmingham City Council are embarking on a business transformation programme, if necessary with strategic partners, in which electronic technology will play an important part, with customer focus as the principal rationale. The Gershon review, published simultaneously with the July 2004 Treasury spending review, has as part of a Whitehall efficiency drive recommended changes to the way that central government is run, in particular using investment in modern technology to increase the scope for shared administrative infrastructure, so that resources can be

transferred from back-office operations to front-line services. This re-engineering of

processes is something that local councils (as well as devolved administrations and primary health care trusts) will also be expected to take on board. Another criticism has been the managerial and technocratic bias of e-government, focusing on electronic service delivery rather than the opportunities created by new technologies for democratic renewal (Pratchett, 2000). Innovative on-line projects to engage the public are beginning to assume higher priority. Even more interesting is the scope for convergence between the above agendas, with principles of decentralized network governance permeating a reformed public sector: 'Flatter hierarchies of…creative…officials…plugged in to wider informational networks that organically include the on-line presence of citizen groups and affected interests is…one way of injecting e-democratic practices into e-government' (Chadwick, 2003, p. 451).

Such ideas are not a million miles from the notion of the adaptive state. There are, however, numerous examples of over-ambitious e-government visions never realized, given the technical (even elementary ones of common infrastructural standards) and organizational obstacles in the path of the transformational scenario. The scale of the organizational change necessary to bring to fruition the re-engineered government processes envisaged by Gershon is daunting (Hutton, 2004). The re-engineering metaphor itself is unfortunately mechanistic and fails to capture the variables and contingencies impinging upon organizational life (Pollitt, 2003). So, problems of implementation are hardly surprising. Re-engineering of health care, for example, has graphically demonstrated the complexities of organizational transformation (McNulty and Ferlie, 2002). Adapting electronic technology to the circumstances of local authorities particularly presents formidable challenges given their multi-purpose nature and consequential diversity of organizational objectives. Moreover, in the context of centralization versus decentralization, there is a danger of the pendulum swinging too far. Despite what are often counter-productive consequences of centrally driven prescriptions and target setting, national government has a legitimate stake in ensuring that appropriate outcomes are achieved and that good practice is disseminated and replicated. This is where the notion of 'disciplined pluralism' can shed light on the appropriate balances to inform governance operating codes, so that deregulatory impulses don't throw the baby out with the bathwater.

Disciplined Pluralism

Kay (2003) has recently restated the powerful case for decentralization of authority over centralized planning—hence for the dynamic properties of economic markets. Given the intractability of the world and the vicissitudes of life, central target setting is unlikely to achieve intended outcomes, associated informational deficiencies another variation on the theme of social and organizational complexity: 'These problems arise whenever target setting is tried, in [for example] public sector activities such as health and education' (Kay, 2003, p. 354). As others have observed, if public policy actions become a matter primarily of compliance and performance the risk is that the capacity for learning will by stymied (Schofield and Sausman, 2004).

Unlike the transformational scenario, Kay's argument revolves around modest reversible changes rather than large-scale 'big bang' solutions, with inbuilt feedback mechanisms so that successes can be disseminated and failures terminated: 'Because the world is complicated and the future uncertain, decision-making in organizations and economic systems is best made through a series of small-scale experiments, frequently reviewed, and in a structure in which success is followed up and failure recognized' (Kay, 2003, p. 108). Put like this, there are obvious affinities with earlier theories of incrementalism and successive adaptations involving trial and error learning in response to a plurality of inputs. This provided a more intelligent strategy than synoptic rationality and comprehensive analysis because of imperfections of knowledge and understanding (see, for example, Lindblom, 1965; Parsons, 1995; Self, 1977; Stoker, 2004). Such theories

were, however, based on dubious assumptions about the genius of economic markets or ideal conceptions of pluralist democracy.

Kay, in contrast, acknowledges the limits and follies of pluralism if not accompanied by the requisite degree of discipline. The dotcom excesses of the 1990s were a manifestation of the collapse of market discipline. In the public domain, the dilemma is clear: 'Pluralism necessarily conflicts with uniformity. But if government structures genuinely allow pluralism and decentralized authority, variability in the quality of what is provided is inevitable' (Kay, 2003, p. 356). In a public services context, therefore, disciplined pluralism 'requires that there be careful audit—of outcome [and] that there be real accountability for these outcomes…The objective should be managerial autonomy combined with audit and accountability' (Kay, 2003, pp. 356 and 361). With appropriate institutional disciplines in place, evaluation of quality of outcomes rather than conformity of process, and a culture of learning not one of blame, pluralist structures will be more innovative and responsive than centralized decision-making. This is not the equivalent of a slash-and-burn approach to all the audit and inspectorial trappings of the 'regulatory state'.

However, bodies such as the Audit Commission have been a means through which local authorities were held to account in fulfilling nationally-determined priorities, a regulatory regime more about compliance than support in accommodating good practice, as such operating to the detriment of local forms of accountability (Kelly, 2003). They have consequently been instruments of the command-and-control and top-down model of governance. On a continuum from the 'commissar' acting as a guardian of nationally-prescribed practice to partner in shared learning, the execution of audit and inspection has conformed more to the former than the latter (Stewart, 2003). In the light of increasing disquiet about the heavy-handed use of inspection, the Audit Commission is now repositioning itself as an agent of improvement, offering support and guidance accordingly, albeit still with insufficient emphasis on inter-organizational working as distinct from micro pre-occupation with individual services (Martin, 2004). The case for pluralist experimentation certainly raises important questions about inter-organizational learning, the conditions which are likely to facilitate or impede knowledge transfer and performance improvement (Rashman and Hartley, 2002). But even though a remodelled regulatory system may be necessary it is not a sufficient basis for the disciplined institutional framework that needs to accompany the more decentralized local governance structures now being advocated in many quarters.

Conclusion

This article shows that the evolutionary model of local institutional change is more important than is often acknowledged. Even so, a New Labour Government has had to accept that its instinct to centrally prescribe has proved increasingly counter-productive given the complexities of local institutional environments. It is starting to revise the rules of the game and operating codes for local governance accordingly, albeit insufficiently for the satisfaction of many of its critics. Nonetheless, the benefits of more pluralistic local decision-making for innovation and responsiveness have to be weighed against the requirements of audited and accountable outcomes. The adherents of radical decentralization are in danger of losing sight of the 'discipline' part of Kay's equation.

As they work out their third-term prospectus, New Labour is exploring a variety of channels to achieve appropriate balances in the context of greater decentralization. These include simulation of competitive disciplines and attendant extensions of choice in public service provision (*market* accountability). This covers a spectrum of options from the availability of alternative providers to the involvement of users themselves (as co-producers) in the design and delivery of services (Leadbeater, 2004). Another strand in New Labour's developing thinking is experimentation with new structures of local community influence (*public* accountability), the in-fighting that has dogged a number of local NDC boards and the low registration/turnouts for elections to the governing bodies

of the first wave of foundation hospitals encouraging siren voices against travelling too far down this road. This is in addition to a re-focusing of the audit and inspectorial instruments of the regulatory state (*managerial* accountability). A future Conservative

administration seems intent upon tilting the balance decisively in favour of market accountability, in deregulatory mood making the 'right to choose' a cardinal principle of its public service reform agenda, including voucher schemes for education and health. As the strategies of public service organizations are by their very nature contestable (Benington and Hartley, 2003), it is highly unlikely that any one mode of organizational influence or learning will satisfy all stakeholding groups, given inevitable tensions in the values respectively promoted by different types of accountability. This is notwithstanding the weight being placed in some quarters on the developing public scrutiny function (Martin, 2004).

Those hankering after a 'post-regulatory' model of outcome accountability, where performance management is culturally embedded in local public institutions, correspondingly have too little regard for the fact that central government itself is a legitimate stakeholder in local public services. Nor does it follow when the problem is formulated in this way that the integrated system of local governance which is at the heart of the community leadership model is superior *a priori* to more pluralistic structures of local governance. This article has, however, provided further evidence of the way in which local authorities have been trying to reposition themselves in order to enhance their own effectiveness in a complex institutional environment, something not without significance as Ministers again ponder how they envision the longer-term (strategic) future of (a streamlined) local government system with a number of consultation papers being published during the course of 2005.

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Article 2

Once more into the breach, by Seamus Ward, Public Finance

It seems the 'Berlin Wall' dividing health and social care might finally be coming down, as ministers finalise a combined white paper. But will this lead to a merger of social services departments and primary care trusts? Seamus Ward reports.

Health and social care – the phrase seems to roll off the tongue, underlining the interdependence of the two main 'wellbeing' services. Yet in England these are provided largely by separate organisations and are often disjointed, despite attempts over the past eight years to encourage greater collaboration. These efforts are due to be stepped up at the end of the year with a white paper on out-of-hospital care that will set out the future for primary and community care as well as adult social services.

Adult social care was going to have its own white paper this autumn, following on from March's green paper, Independence, wellbeing and choice. However, in July, Liam Byrne, the junior health minister responsible for care services, announced that it would now be combined with the white paper on out-of-hospital care. Although the NHS and social services are co-operating more, the seamless service patients want has not been achieved. Byrne promised that the joint white paper would deliver 'integrated health and social care systems'.

What could this mean? The white paper will also detail plans to reduce the number of primary care trusts by making most coterminous with local authority boundaries by next October – proposals first made in July's Commissioning a patient-led NHS.

Health and social services will also soon have the same regulator. The Commission for Social Care Inspection and the Healthcare Commission will be merged by 2008. Could ministers be about to grasp a nettle avoided by their predecessors since the early 1970s – and merge health and adult social services at local level? And if social services merge with primary care trusts, will this mean a further reduction in local authorities' responsibilities?

Before these questions are answered, the Department of Health will hold a series of consultative events with the public in September and October, under the banner of 'Your health, your care, your say'. The DoH says that the public's opinions will contribute to the white paper.

Kathryn Hudson, DoH national director for social care, says: 'The white paper gives us an opportunity to look at how we can integrate health, social care and other services in the community to improve the experience of those who use them. We have not developed firm ideas about policy changes, but want to shape the paper through the views and experiences of people who use services, staff and others who have a contribution to make. The consultation will offer a chance to obtain a fresh perspective from a wide audience.'

Hudson adds: 'This is an opportunity to look again at the way that health services outside hospital and social care perspectives can develop the agenda further in response to the consultation on Independence, wellbeing and choice.' In the meantime, she says, the department will be pushing ahead with the green paper's proposals that have already been warmly welcomed, including 'work on individual budgets, assistive technology, outcome measures, and assessment of risk'.

Since 1997, the Blair administration has been encouraging health authorities, then PCTs, to work closely with their local authorities – to break down the 'Berlin Wall' that has divided them. Since 1999, PCTs and councils have been allowed to pool their funds for a local initiative, for example to create a single assessment team for patients or clients or to jointly employ a member of staff. Since 2002 they have been able to formalise their collaboration by forming a new organisation – a care trust – that combines both organisations' responsibilities under a single management.

Although it would be tempting to see care trusts as the definitive future model for health and adult social services, it is important to note that the idea has not gained much support on the ground. Only a handful of such trusts exist and the Local Government Association does not support them. It believes councils should forge closer ties with PCTs by developing Local Area Agreements. These would have wider benefits as they would bring the NHS firmly into existing local strategies to improve community wellbeing. The association argues that the NHS has always been a sickness service while local authorities play a key role in the wider determinants of health, such as housing, employment and education.

David Rogers, chair of the LGA's community wellbeing board, says: 'The white paper could provide a real opportunity to explore the interface between health and social care, to build strong partnerships that have been forged between local government and health, and to bring the NHS and, in particular GPs, into the wellbeing agenda. Local government has a critical role to play in the health and wellbeing of local communities. It is welcome that Commissioning a patient-led NHS stresses the importance of engaging with local authorities. A wide range of council services contribute to promoting public health outcomes, including housing, cultural services, lifelong learning and community safety.'

So far, local authorities and PCTs have been more enthusiastic about pooling funds without creating a new organisation. The DoH says it has registered 230 such partnerships with a total value of more than £2bn. Independence, wellbeing and choice floated the idea of virtual care trusts, which would appear to be little more than most councils and PCTs are doing already – pooling funds and staff – without the upheaval of merging two organisations.

NHS Confederation policy manager Jo Webber says the joint white paper is a step in the right direction. 'We welcome the fact that the two have been brought together as a single system. One of our underlying concerns is that adult social care does not get lost in the detail of the out-of-hospital white paper. Social care is part of out-of-hospital care and there are a lot of good relationships and agreements between councils and NHS organisations. It would be a shame if we didn't build on that.'

Care trusts are a vital element in these partnerships and Webber is sure they have a future. Indeed, she adds: 'I think there is a challenge for PCTs and local authority partners to look again at the arrangements for children's trusts and at virtual care trusts in line with what was said in the adult social care green paper. They could remain virtual or think about merging the services to put children's and adult social services as well as community health services in one organisation, rather than having a virtual arrangement. This may be a stimulus for some areas to consider creating a care trust, where they had not considered it before.'

PCTs have been asked to save 15% of their budgets as part of the reorganisation. Webber says that some of this money might be saved by trusts merging with others to become coterminous with council boundaries. But further savings could be made through creating care trusts, she adds. Another option would be to contract out back-office functions to the local council.

Some observers believe that a foundation care trust, with the same financial freedoms as the current batch of foundation hospital trusts, would be a powerful vehicle to champion community care in all its forms against the burgeoning power of provider hospitals.

Local authorities might fear that the underlying agenda is to remove their responsibility for social care altogether, but the LGA insists this is not the case. It welcomes the fact that the NHS is seeking greater co-ordination with social services through improving the congruence of PCT and local government boundaries. Many PCTs have appointed councillors to their boards as non-executive directors, while local authorities also have a say in their local health service through overview and scrutiny committees.

Rogers adds: 'The changes envisaged in the way services are commissioned to develop a patient-led NHS should provide the opportunity to ensure that all organisations involved in the health and care of communities do so in partnership. Local authorities are already working in partnership with the statutory, voluntary and community sectors to fulfil their powers to promote the social, economic and environmental wellbeing of their areas.'

Sources close to the DoH say the white paper is unlikely to insist on formal mergers between social services departments and PCTs, though voluntary take-up of such an option will remain an option. However, the department will tell local authorities and PCTs that they cannot sit on their hands and do nothing.

Finance will be a major consideration for both local authorities and PCTs, whether structural reorganisation occurs or not. PCTs will be scrabbling around trying to save that 15% of their budgets, while social services have been told that the changes set out in Independence, wellbeing and choice, such as greater support for independent living, more preventative work and more individual budgets for clients, will be cost neutral. Not so, say the LGA and the Association of Directors of Social Services. They argue that adult social services are already under-funded and that these changes, combined with the need for staff training and new IT systems, will add to costs.

Webber does not believe that the current arrangements for pooling funds need to be changed, but she thinks that they could be simplified to encourage co-operation. 'It would be good if the process were not so bureaucratic – it tends to take a lot of time and effort. If it were simpler, it would encourage people to look at their service structures.'

She says local authorities and PCTs planning to co-operate more closely should pay attention to the changing face of NHS commissioning. Since April, GP practices have been able to hold budgets to commission care for their patients. Though initial take-up has been slow, the government hopes it will soon become the norm.

'A lot of the commissioning decisions will be made at GP practice level and these decisions should link into a strategic plan – in the same way as a children's trust uses its child and young person plan,' says Webber. ' A strategic plan could link up what the practices feel they need with the overall strategic plan for the area. Otherwise, you would end up with a series of commissioning decisions and a plan that does not match.'

As well as ensuring patients receive a less disjointed service, closer working between health and social services could help particular patient groups. The Sainsbury Centre for Mental Health says the move could be good news for those who suffer from mental illness. 'This has the potential to be positive if it is about making the services work together effectively, simplifying the funding streams and making social care a bigger part of the mix,' says a spokesman.

'While treatment is important to patients, they also want to make sure they get the right benefits, a decent place to live, a job and generally have a life. We would like to see the social care side developed and properly funded.'

He adds that the joint efforts of health and social care teams could improve mental health commissioning, which is still very much led by providers. The white paper and any subsequent legislation have the potential to offer better, integrated care for patients.

But Webber says all sides must work together to achieve this aim. 'There are some opportunities, challenges and the risk of throwing the baby out with the bath water, in that we might lose some partnership working. There has been a period of change and we have to hang on to what works well. This is the challenge for local partners. Patients want a system that works for them and, as long as it does, they have no interest in who provides it.'

But perhaps the main challenge in the wake of the white paper proposals will be to ensure that the reconfiguration of services raises the profile of social care – not just in terms of funding or political clout but also by enhancing its attractiveness as a career.

SECTION A – (Compulsory)

1

- **Requirement for question 1**

Painter concluded that '...there is an ongoing struggle within central government between the centralising and decentralising forces'. Explore why such a struggle exists, and the meaning and advancement towards 'New Localism'. Use examples with appropriate explanation to support your submission.

(30)

2

- **Requirement for question 2**

Innovations in service delivery include an array of partnership arrangements, ranging from mergers to outsourcing. Explore the drivers and dangers inherent in such arrangements, and discuss how public services can maximise the benefits and minimise the risks involved. Use examples with appropriate explanation to support your submission.

(30)

SECTION B – (Answer two questions from this section)

3 *Kelly consults councils over school reforms*

A new dawn of co-operation between central and local government broke this week as Education Secretary Ruth Kelly indicated her willingness to work closely with councils on her planned education reforms.

A white paper to be published later this year will facilitate the roll-out of city academies, increase parental power and extend opportunities for charities and faith groups to participate in the school system.

In a keynote speech to the Local Government Association on September 6, Kelly said local authorities should abandon their traditional role as the providers of education and focus instead on representing citizens' interests and commissioning services.

'The new role is more complex, more demanding; but ultimately more rewarding,' she said.

'I want to hear from local government about the levers you need to play this new role. What are the constraints we should tackle – not rolling back the autonomy of schools but how do we help young people in your area achieve higher standards and greater equity?'

This challenge met with enthusiasm from the LGA. James Kempton, vice-chair of the Children & Young People's Board, said: 'A strong local authority acting as the champion for learners and for parents is essential. We will gladly take up the minister's offer to hear about what tools we need to play this role even more effectively.'

For its part, the LGA admitted it was time to 'take stock' and released a document – Champions of local learning – which reassessed councils' role in education and chimed closely with Kelly's thoughts.

The organisation has complained consistently and vigorously about the erosion of councils' education role as ministers devolve more power to head teachers.

Kempton said: 'We must be clear – this isn't about councils telling schools what to do. It is about providing democratic leadership and common purpose that lets schools work in their own way but in a system that works for the child.'

John Freeman, director of children's services at Dudley Metropolitan Borough Council, warned Kelly that increased parental power could frustrate councils' long-term, strategic planning activities.

'Occasionally schools have to close,' he said. 'These are unpopular decisions to make, but someone has to make them.'

Article Date: *09-Sep-2005*

- **Requirement for question 3**

(a) In the article above, the Education Secretary, said, 'I want to hear from local government about the levers you need to play this role'.

Suggest how this consultation should be undertaken, and identify the problems that may arise, and how these problems could be overcome. *10*

(b) The Director of Children's services at Dudley Metropolitan Borough Council said, 'increased parental power could frustrate councils' long-term, strategic planning activities'.

Explain why increased parental power could frustrate long-term strategic planning activities, and suggest ways councils could manage the strategic planning activities in the future. *10*

(20)

4

Public Reporting and Accountability Awards are made annually to organisations that are able to demonstrate that clear, accessible, and timely information is available to stakeholders.

A key challenge for organisations is explaining the purpose of the organisation, and then determining 'how far the public listened, or made use of the information' *(PF Reading between the lines – 17/06/05)*

The purpose of the organisation is often explained through mission statements 'which are stronger on cliché than simple information' *(PF Reading between the lines – 17/06/05).*

Many organisations use an internet website to explain the organisation's mission, objectives, values and expectations and strategic decisions. However, many of these terms are alien to the public.

- **Requirement for question 4**

(a) Assume you have responsibility to update your (public service) organisation's internet website and have been tasked to prepare a glossary of key terms. Explain the following terms in a way that could be understood by the public and other stakeholders. Give a simple example to support each term.

(i) Organisational Strategy.
(ii) Mission Statement.
(iii) Organisational Objectives.
(iv) Organisational Values.
(v) Organisational Core Competences. *10*

(b) A further and often confusing process for the public and stakeholders to understand is how strategy is developed in the public services.

Prepare a brief statement, for inclusion on the organisation's internet website, which explains how strategy could be developed, and how this may differ from the private sector. *10*

(20)

5

Competitive strategy – the bases on which a business unit might achieve competitive advantage in its market *(Johnson and Scholes 2002)* – is clearly explained in the Open Learning Material (p423) by use of Bowman's Strategy Clock. This outlines eight routes for generating strategic options for achieving competitive advantage. Within the public services, generating appropriate strategic options is closely linked to providing value for money, meeting stakeholder needs, providing best value and ultimately organisational survival.

- **Requirement for question 5**

(a) Briefly outline, and explain how the competitive strategy options (eight routes shown on the Bowman's Strategy Clock) can be applied in the context of a public service organisation in which you are familiar. *12*

(b) Having achieved competitive advantage, the organisation is then faced with trying to sustain that advantage. For an organisation with which you are familiar, explain how that organisation could sustain competitive advantage to prevent competitors entering their domain or succeeding if they do. *8*

(20)