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Keynote speaker: Sir Michael Bichard KCB

“A NEW WAY FOR GOVERNMENT”

In an uncertain world let's at least start with some things about which we can be relatively certain in the UK at least.

- We will experience immense pressure on the resources available to fund public services, at a time when
- The public's expectation for the quality of public service continues to rise.

- We will be tackling issues which are uniquely complex and which are made even more so by the way in which they disrespect existing bureaucratic boundaries. They also do not easily respond to existing service outcomes – even when these services are working together – because success depends upon changes to citizen behaviour (eg obesity, sustainability, waste energy and crime) and require us to be better at prevention than we have been hitherto. And if we fail the costs will be huge. If, for example, we are unable to stop the increase in chronic disease the cost of healthcare is forecast to rise from 9-12% of GDP within 15 years. And

- We will be providing for an ageing population which is demanding of services and therefore resources – but not contributing to the cost.
- Grappling with issues in period of great uncertainty, change and global interaction.
- In the UK we have engineered over 40 years a system of governance which is fragmented and expensive with high transaction costs and overheads.

In the face of these challenges the temptation is to “bunker down”; to defend against the downturn by selective public capital investment, job protection, skills development and making our existing services more efficient.

I have never been convinced that this kind of response will suffice and I am attracted by those who argue that we have to “attack” this crisis in the sense of using it as a stimulus to reshape, even reinvent government; to re-engineer the relationship between national and local government and to refocus genuinely all of our efforts on the citizen. We do need in effect a new approach to Government.

So let's start by reinventing Government! Clearly UK government is not yet perfect – in fact we are 14th in the World Bank's most recent table of Government effectiveness. And in some important policy areas we do rather worse than that. So given the scale of the problems we face it's pretty clear that they will not be met by degree shifts in the internal workings of Whitehall,

by structural re-organisations or subtle shifts in the way we manage performance. Indeed there already seems to be a growing consensus that the dominant ethos of the recent past – targets, management competence and delivery – will not suffice. Consequently there is a shift in the rhetoric, at least, away from controlling, prescriptive target driven approaches – witness the White Paper Excellence and Fairness and the revamped PSAs and LAAs. But are these shifts still too rooted in a culture of service delivery? Are they more about repackaging rather than reinventing Government? What might be the components of a different model of UK Government better suited to the new challenges?

Strategic Leadership

The Labour Government was elected in 1997 to improve the quality of public services – not least education and health. They confronted that challenge with a powerful package of targets, investments, regulation and performance data. But might Government in future see its primary role as providing strategic leadership rather than the micro management of services – something which the best local authorities have already realised? Might they place a greater emphasis on establishing a national sense of purpose and direction; a clarity of vision, wherever possible widely owned; consistent and explicit values visibly applied with genuine efforts to engage people and provide honest responses to them?

Some might argue that this is a more appropriate role for national Government and one which some of our international competitors have adopted already. But it does require higher levels of trust in political leaders than is currently evident – and the latest chapter in the sorry story of MPs expenses does nothing to build public trust in the political class.

Connected

“Joined-up Government” has been part of the rhetoric here for a decade or more. But it is still not the norm and many attempts to “join-up” have been solely about circumventing the acknowledged inadequacies of the current customs, practices and machinery of government. But the big issues I referred to earlier will not be resolved by seeking to join up policies ready cooked in different ovens. They demand a genuinely connected effort from the outset. So connectivity cannot be a “bolt on”, a desirable extra. It has to become an integrated “must have”. The genuine development of integrated policies for the elderly; the development of joint budgets, shared indicators and common objectives; evidence of the kind of corporacy – both at political and official

level - visible in the best local authorities since the mid 1980s; a willingness to measure success and impact by the quality of outcomes as perceived by clients, patients or citizens rather than the elegance of the process. All these need to become the touchstones for effective government in the future.

Capacity to Influence Behaviour

Almost without exception the big challenges will not be met solely by the better delivery of services. They require shifts in individual behaviour and Government has to play a part in achieving these. In fact Governments have long had a significant impact on the way people behave and recently, for example, have made it easier to get divorced and to shop at convenient times,

they have also restricted smoking very significantly. And although some people have an instinctive dislike of perceived paternalism many do want and expect Government to sort out the big issues – 69% in a recent survey, for example saying that it was the states responsibility to deal with obesity. So influencing citizen behaviour will become a much bigger feature of Government – and that presents Government with one or two problems

- a) There are very few people in Whitehall or close to Government who understand or can apply behavioural economics; and
- b) There is a very thin line between influencing behaviour for the public good and manipulation and social engineering.

The territory is perilous but to be effective Governments have no option but to occupy it. In many policy areas by far and away the most effective response and the most effective policies are preventative but influence citizen behaviour to prevent crime, anti social behaviour, chronic disease and pollution have been extremely difficult in the past.

Innovation

I remember a few raised eyebrows in the late 90s when at the then DfoE we began to work seriously on how we could enhance the capacity of senior officials to be creative and to innovate – but even then we realised that we needed to find new ways to tackle the problems we faced. More recently it

has become much more fashionable to talk about public sector innovation. It is in danger, I know, of becoming an overused and over-hyped word. But turning the hype into reality is central to coming through the current crisis. Too many public sector organisations remain risk averse and more than that they are culturally hostile to innovative people. Changing this is partly about revisiting our accountability frameworks - where you could argue that we currently have the worst of all worlds – inadequate accountability frameworks that nonetheless stifle innovation. It is also about leadership – political and official – recognising the importance of the issue and taking practical steps to build innovation in their organisations:

Leading by example – saying “yes” not “no” more often

Reshaping incentives – so that innovators are valued and promoted

Building capacity – so that relevant skills are developed

Increasing levels of energy – by getting rid of needless paper and meetings

Manage risk and failure effectively at all levels of the organisation

Revisiting structures that are too hierarchical too often

Reducing the number of “narrow” targets so that people have the space to be creative – at the front line as well as in management

Building partnerships that spark innovation

Connecting with the front line where the best ideas come from and allowing initiatives time to grow.

But the need for innovation will almost certainly also require us to revisit the highly centralised system of Government we have in this country – something which I will come back too but which some of our recent research at the Institute identified as a barrier to innovation.

Commissioning Outcomes

Once again the rhetoric is not unfamiliar ie Government should be more concerned about public service outcomes than the method of delivery. But many feel that too much responsibility for delivery remains within central government departments. And it consumes the time, energy and resources

which could be devoted to policy challenges. As a result commissioning skills are in short supply because they are not in demand and few departments outside of health and the Legal Services Commission are grappling with how their organisations need to change and be shaped differently to reflect the growing importance of commissioning.

Future Forecasting

If we expect governments to be rational then they need to anticipate risks and – though this has been out of fashion – plan for the future. The failures of Stalin’s grand plans and, within the UK, the corporatism of the 50’s and 60’s undermined confidence in the ability of the State to plan or predict anything

for the next generation. But the “strategic” state cannot simply abandon this role. Governments should be modest about their ability to predict let alone shape the future but challenges such as the environment, the recession, immigration and the impact of demographics illustrate the reasons why it needs to be done. The “how” is more difficult but predictions and models, scenarios and wildcards all have a part to play. And of course some of this does happen (DIUS and economic futures). Nonetheless, our apparent lack of current interest in such activities in recent years is illustrated by the lack of any political or parliamentary machinery to address the future in strategic terms.

Although individual elements of this different model of Government have been discussed for many years they have not often been brought together to describe a different of Government - nor have they individually been realised.

They describe a Government which is almost certainly smaller but with a stronger focus on the things that matter and a greater emphasis on devolution, empowerment and facilitation. And in a recession like this I would prioritise the need for innovation and joined up services as key to sustaining quality and delivering better value for money – and changing the relationship between central and local government is a necessary precursor to achieving both.