

Ceding Power

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There is more than just rhetoric to the fast developing UK government policy on new localism, argues free lance journalist, Paul Gosling.

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Talk of paradoxes

Having established a reputation as possibly even more centralist than Margaret Thatcher's Conservatives, New Labour is now reinventing itself as the party that devolves power.

Of course, the Labour government had already delivered real devolution, with a Scottish Parliament and Assemblies in Wales and Northern Ireland. But these were seen as policy commitments Tony Blair inherited from John Smith, rather than issues he was personally committed to.

Labour's *new localism* goes further than this and, if carried through, represents a fundamental reshaping of public administration across the whole of the UK. "*Now is the time to devolve power,*" said Gordon Brown as he announced proposals for local authorities to have greater decision-making ability, less ring-fencing of funds, fewer performance targets, more borrowing powers and an enhanced ability to trade.

Meanwhile, a parallel process is taking place in the National Health Service with the introduction of foundation hospitals. These will also win greater borrowing powers, improved ability to trade, fewer performance targets and more decision-making ability. The foundation hospitals are set to have so much independence they are even described by some commentators as becoming rather distant members of the National Health Service (NHS) family.

It is a similar story with social services. Health secretary Alan Milburn has told local authorities they can set up *children's trusts* to bring together children's services across existing council departmental boundaries, while also commissioning some health services. How they do this, Milburn has told them, is basically up to them. The best ideas will be rewarded with pilot status and much more freedom.

About turn

There is a clear philosophical framework here. While no government is ever likely to shout, "*whoops sorry voters, we got it wrong*", what the Labour administration is implying is that its centralising tendencies have failed to deliver quickly enough the reform of public services demanded by the electorate. Instead, it will be up to local managers and politicians to decide how to meet those demands.

Yet the devolution will be balanced by central government exercising greater control - in some situations. With local authorities and NHS hospitals, it is only the best performers that will be given more flexibility and freedom. The worst service providers could be suspended and handed over to another public body or not-for-profit organisation (or even a trading company) to run instead. This has already famously happened with some of the worst local authorities and schools - now we can expect it to happen more often with hospitals, councils and their social services departments. Government will also continue to issue performance targets covering core objectives.

Despite retaining and even increasing these strong central powers, there is wide acceptance that *new localism* is more than rhetoric. Michael Jacobs, general secretary of the Labour-linked Fabian Society, argues that all the main political parties share this change of outlook. "*It is really a recognition of sociological change*", says Jacobs. "*What they have all recognised is that in a very fragmented, diverse, plural society, trying to provide services more responsively to their users can't be done by the centre, which can't have that much understanding of differentiated users.*"

Growing pains

Indeed, *new localism* represents such a profound change of culture - or shock to the system - that it is implausible that it can be introduced without severe birth pains. Gordon Brown for one realises that it means not only more diversity in services, but also more variability in standards. It seems unlikely that the electorate is yet ready for a big increase in the number of press stories talking of *postcode lotteries* in terms of health treatment or admission criteria to elderly people's homes. And politicians' resolve may flag when the pain of reality hits them.

The policy is driven by the need to turn public services around more quickly. But there can be no guarantee that devolving responsibility for the services will speed up reform. Believing that it will, runs contrary to every instinct known to a politician.

These pressures will cause local service-delivering bodies to adopt new structures and forms of accountability that are largely untried. Failure to make the new organisations accountable will simply make them old-style quangos, which Labour was, in part, elected to get rid of.

Instead, the government is looking to *public interest companies* (PICs) to deliver many of the local services such as foundation hospitals and social services. These are largely untried organisational forms, based around the idea of companies limited by guarantee, which are not-for-private-profit. It is intended that they will be able to run services more cheaply than the private sector because they will not pay dividends, but they are intended to adopt a more commercial and efficient approach than the public sector.

The only examples there are of similar bodies underline the government's difficulties. Network Rail – Railtrack's successor – has been criticised for having an excessively complex structure which tries to represent too many interests, while still being unaccountable in any real sense. And many universities, which have PIC-type structures, are regarded as too removed from the interests of wider society.

Life of its own

Proposals for PICs largely came from the Public Management Foundation (PMF). Its chief executive and author of its PIC plans was Paul Corrigan, who is now Alan Milburn's special adviser. Jane Steele, head of research at the PMF, says that the PIC concept took-off quicker than was expected and now, to an extent, has a life of its own.

"A lot of people are talking about PICs without being clear on what is actually being talked about," says Steele. She suggests they could use several models, including a two-tier board structure – in this scenario the overall board has management and financial responsibility, while a secondary board may be the forum for holding the service accountable to local citizens and service users. Further, argues Steele, accountability will be achieved through contract commissioning as with social services provided by a PIC for a local authority.

New localism may be a new term, but it does also seem to have a real meaning. However, so, too do some old phrases – like *carrot and stick* and *flying by the seat of your pants*.

Further information

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